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ABSTRACT

Testimony concerning the proposed Fair Chance Act, a bill to ensure all children's chances for receiving a good education, is reported. Although the United States is spending a substantial amount to support its public schools, children are receiving a substantially unequal education, depending on the state, county, or municipality where they live. Under the proposed act, no state may receive federal funds from any Department of Education-administered program to support its public schools after January 1, 1996, unless the Secretary of Education certifies that public education funding in that state meets certain equalized funding standards. Concerning fair funding within states (Title I), the bill further proposes that the Secretary of Education shall annually review each state's method of financing its public elementary and secondary schools and certify all states meeting the proposed standards. Details are provided for review standards, state compliance, and alternative use of funds. Specifications for ensuring fair funding among states are also provided. Favorable testimony was given by Arthur E. Wise, director of the Center for the Study of the Teaching Profession, the Rand Corporation; Professor K. Forbis Jordan, Arizona State University; Bert T. Combs, former Kentucky Governor; Marilyn Morheuser, executive director of the Education Law Center (Newark, New Jersey); and Albert H. Kauffman, senior litigation attorney for the Mexican American Legal Defense and Educational Fund (San Antonio, Texas). Further documentation of school spending inequities appears in the appendices. (MLH)

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HEARING ON H.R. 3850, THE FAIR CHANCE ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON ELEMENTARY, SECONDARY, AND VOCATIONAL EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, JANUARY 24, 1990

Serial No. 101-69

Printed for the use of the Committee on Education and Labor

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HEARING ON H.R. 3850, THE FAIR CHANCE ACT

WEDNESDAY, JANUARY 24, 1990

House of Representatives,
Subcommittee on Elementary,
Secondary, and Vocational Education,
Committee on Education and Labor,
Washington, DC.

The subcommittee met, pursuant to call, at 9:37 a.m., in Room 21175, Rayburn House Office Building, Hon. Augustus F. Hawkins [Chairman] presiding.

Members present: Representatives Hawkins, Kildee, Martinez, Perkins, Hayes, Sawyer, Owens, Payne, Poshard, Unsoeld, Goodling, Grandy, Smith, Gunderson, and Petri.

Staff present: John F. Jennings, counsel; Diane Stark, legislative specialist; Beverly M. Griffin, research assistant; Andrew J. Hartman, minority staff director; Jo-Marie St. Martin, education counsel; and Beth Buehlmann, education coordinator.

[The text of H.R. 3850 follows:]

I

101st CONGRESS
2d Session

H. R. 3850

To assure a fair chance for a good education for all children.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 23, 1990

Mr. HAWKINS (for himself, Mr. MARTINEZ, Mr. OWENS of New York, and Mr. PERKINS) introduced the following bill; which was referred to the Committee on Education and Labor

---

A BILL

To assure a fair chance for a good education for all children.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Fair Chance Act".

SEC. 2. FINDINGS.

The United States, as a whole, is spending a substantial amount of money to support a system of public schools, but these funds are being spent in an unfair manner in that children are receiving a substantially unequal education depending on the State, county, or municipality where they live. Therefore, the Congress, in exercising its spending power and in carrying out the 14th amendment to the Constitution of the United States, proposes that all children be offered a fair chance for a good education.

SEC. 3. DEFINITIONS.

Except as otherwise provided, the definitions under the Elementary and Secondary Education Act of 1965 shall apply to the terms used in this Act.

TITLE I—FAIR FUNDING WITHIN STATES

SEC. 101. FAIR FUNDING.

Subject to section 103, no State may receive Federal funds from any program administered by the Department of Education to support its public schools after January 1, 1996, unless the Secretary of Education certifies that the funding for public education in that State meets the standards for equalized spending as determined under section 102.

SEC. 102. SECRETARY'S REVIEW OF PUBLIC EDUCATION.

(a) SECRETARIAL REVIEW.—Not later than January 1, 1991, and January 1 of each subsequent year, the Secretary of Education shall review each State's method of financing its public elementary and secondary schools.

(b) CERTIFICATION.—Not later than January 1, 1991, and January 1 of each subsequent year, the Secretary of Education shall certify all States in which the funding for public education in the State meets the standards for equalized spending under subsection (c).

(c) STANDARDS FOR REVIEW.—

(1) In conducting any review under this Act, the Secretary shall use the expenditure disparity and wealth neutrality standards utilized in carrying out Public Law 81-874, as amended.

(2)(A) Except as provided in subparagraph (B), the Secretary shall follow the regulations concerning such standards as in effect on March 22, 1977.

(B) For purposes of the Secretary's review under this section—

(i) the expenditure disparity within any State may not exceed 5 percent, and

(ii) the wealth neutrality shall include not less than 95 percent of the revenues within the State.

SEC. 103. STATE COMPLIANCE.

Section 101 shall not apply to a State not certified under section 102(b) which submits to the Secretary, not more than 1 year after notice of certification status, a plan for State compliance with the requirements for certification within 5 years of such notice, which is approved by the Secretary.

SEC. 104. ALTERNATE USE OF FUNDS.

Federal funds allocated to a State affected by the prohibition under section 101 shall be distributed to local educational agencies within the State on a basis determined by the Secretary to carry out the purposes for which such funds were made available and to meet the standards for equalized spending under section 102.

TITLE II—FAIR FUNDING AMONG STATES

SEC. 201. AUTHORIZATION OF APPROPRIATIONS.

(a) General Provision.—Subject to subsection (b), there are authorized to be appropriated such sums as may be necessary to carry out a program to assure a fair chance for a good education for children in all the States.

(b) Limitation.—For any fiscal year, no funds are authorized to be appropriated for programs under this title unless appropriations for the preceding fiscal year for chapter 1 of the Elementary and Secondary Education Act were not less than an amount equal to—

(1) appropriations for the second preceding fiscal year and cost of living increases; and

(2) $500,000,000.

SEC. 202. ALLOCATION OF FUNDS.

(a) Secretarial Determination.—Subject to subsection (b), the Secretary shall determine an appropriate and equitable formula for the allocation of funds among the States.

(b) Standards for Allocation of Funds.—To the greatest extent possible such allocation formula shall—

(1) move all States up to the level of funding the Secretary determines to be necessary to assure a good education for all children;

(2) give greater funding to those States which provide sufficient revenues to meet the special needs of economically disadvantaged, handicapped, and non-English speaking children; and

(3) measure the tax-effort for education of each State in terms of its fiscal capacity and reward those States making a greater effort.

○

Chairman **Hawkins**. The Subcommittee on Elementary, Secondary, and Vocational Education is called to order.

The hearing this morning is on the Fair Chance Act, H.R. 3850. The chair will forego any opening statement at this time. A fact sheet on the fair chance proposal is on the press table and available to those who may wish to avail themselves of it. Also, a summary of the Act is available. I will not summarize the act at this time because we do have a list of excellent witnesses that we would like to hear from.

The introduction of the Act is an attempt to deal with the subject of disparities in expenditures for education among school districts from State to State.

We have two groups of witnesses. Panel one will consist of school finance experts and panel two will feature those involved with litigation at the State level. The chair would only like to indicate that, in addition to the State constitutions and the Civil Rights Act and the other laws which we have passed two years ago, in the 1988 School Improvement Amendments, we added provisions which call for a maintenance of effort on the part of the States and a prohibition against the use of Federal money to supplant regular non-Federal funds. Therefore, there is a very, very clear prohibition against a State manipulating its finances in such a way so as to use Federal money, which we intended to be an enrichment program, as a means of reducing the local and State contribution.

Mr. Goodling, do you care to make a statement at this time?

Mr. **Goodling**. Mr. Chairman, I want to thank you for introducing a bill to open the discussion regarding school finance by States and localities. It's an issue that can be quite tedious and confusing, but it is a very important one which supports an education program. In this country the major support, of course, comes from those educational services provided by States and locals. At the Federal level we only contribute about six percent. That means localities must determine their own needs and support their education programs accordingly.

I support analyzing school finance systems and believe we should take a careful look at unusual discrepancies and spending disparities among local school districts. States should not be shortchanging students through less than equitable funding structures. I understand that at least three States have determined their systems to be so inequitable by their State courts that the State legislatures are now attempting to develop more equitable methods. However, I am well aware that some wealthy districts can outspend poor districts no matter how much State aid is targeted toward the poorer districts.

As I understand your bill, it would require States to use the equalization method under the impact aid regulations. That method encourages local districts to tax themselves at higher rates in order to receive more State aid. However, I would caution that even under that method the spending disparities per pupil can still be enormous.

I am also concerned about other forms of State aid that are not based on poverty. Most States help support the transportation system of local school districts. In rural areas, this money is imperative. I would hope we would expand the discussion to learn of all types of money a school district receives relative to their needs.

Again, I want to thank you for opening the discussion in a very important area.

Chairman **Hawkins**. The chair agrees with the precautionary statements made by Mr. Goodling. May I simply add that, in addition to what he said, in terms of equalization, it is certainly not the intent of the author of this bill to "equalize down" and take money away from any child, but instead the intent is to "equalize up" and to bring money to everyone on the basis of equity.

Are there any further statements? Mr. Martinez.

Mr. **Martinez**. Mr. Chairman, I have a very brief statement. I will put the entire statement in the record and read a part of it now.

It seems that over half-a-century ago, at the White House Conference on Children and Democracy, President Roosevelt said, "No American child, merely because he happens to be born where property values are low, and where local taxes do not, even though they should, support the schools, shall be placed at a disadvantage in his preparation for citizenship." Over half a century ago, President Roosevelt said that. And today we're still struggling with the problem.

Today, 45 percent of our Nation's children attend schools in just four percent of America's school districts. Many rural schools are forced to function with inadequate funding. That's vitally and broadly known. Those underfunded schools threaten the foundation of the American dream as far as I'm concerned.

Money may not buy educational excellence, as some of my colleagues have said, but it buys qualified teachers, quality textbooks and school equipment that doesn't date from the Korean war. Today's testimony, I think, will make it rudely clear that the inequality in our Nation's financing of schools is not only shocking, but it undermines the basis of an American community and the foundation of our future.

Mr. Chairman, I commend you for holding these hearings. Hopefully, something will result from them. Thank you.

[The prepared statement of Hon. Matthew Martinez follows:]

DISTRICT OFFICE
400 N. MONTEBELLO BLVD
SUITE 100
MONTEBELLO, CA 90640
(213) 722-7731

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SUBCOMMITTEE ON SELECT EDUCATION

STATEMENT ON THE FAIR CHANCE ACT
HEARING ON JANUARY 24, 1990

BY THE HONORABLE MATTHEW G. MARTINEZ

AT A WHITE HOUSE CONFERENCE ON CHILDREN AND DEMOCRACY, PRESIDENT ROOSEVELT SAID: "NO AMERICAN CHILD, MERELY BECAUSE HE HAPPENS TO BE BORN WHERE PROPERTY VALUES ARE LOW AND WHERE LOCAL TAXES DO NOT, EVEN THOUGH THEY SHOULD, SUPPORT THE SCHOOLS, SHOULD BE PLACED AT A DISADVANTAGE IN HIS PREPARATION FOR CITIZENSHIP".

ON ANOTHER OCCASION, MR. ROOSEVELT ADDED: "THERE IS PROBABLY A WIDER DIVERGENCE TODAY IN THE STANDARD OF EDUCATION THAN THERE WAS A HUNDRED YEARS AGO; AND IT IS, THEREFORE OUR IMMEDIATE TASK TO SEEK TO CLOSE THAT GAP."

TODAY, NEARLY HALF A CENTURY LATER, THAT GAP HAS NOT BEEN CLOSED. TODAY, OUR NATION HAS SOME OF THE BEST SCHOOLS AND SOME OF THE WORST SCHOOLS IN THE INDUSTRIALIZED WORLD.

TODAY, 45% OF OUR NATION'S CHILDREN ATTEND SCHOOLS IN JUST 4% OF AMERICA'S SCHOOL DISTRICTS. MANY RURAL SCHOOLS ALSO SUFFER FROM INADEQUATE FINANCE. THOSE ARE THE SCHOOLS THAT ARE UNDERFUNDED AND THAT THREATEN THE FOUNDATIONS OF THE AMERICAN DREAM.
THERE THE AVERAGE SCHOOL IS SO OLD THAT IT NEEDS MAJOR REPAIRS AND MODERNIZATION.

THERE, THE AVERAGE SCHOOL HAS OVERCROWDED CLASSROOMS. WHILE SOME SCHOOLS SERVE EXCELLENCE, OTHERS SEEK MERELY TO SURVIVE. MONEY MAY NOT BUY EDUCATIONAL EXCELLENCE--BUT IT BUYS QUALIFIED TEACHERS, QUALITY TEXTBOOKS, AND SCHOOL EQUIPMENT THAT DOESN'T DATE FROM THE KOREAN WAR.

OUR DECENTRALIZED SYSTEM OF SCHOOLING HAS PROVIDED CHOICE, AND HAS PROVIDED COMPETITION--BUT TOO MANY PARENTS AND SCHOOLS HAVE BEEN LEFT WITHOUT THE ABILITY TO COMPETE FOR EXCELLENCE IN EDUCATION.

IN MANY INDUSTRIALIZED COUNTRIES, A CHILD'S EDUCATION DOESN'T FLOURISH OR FAIL SIMPLY BECAUSE LOCAL PROPERTY VALUES ARE HIGH OR LOW. WHETHER IN TOKYO OR PARIS OR THE "BOONIES", A CHILD GETS ROUGHLY THE SAME EDUCATION. HERE, IF THE LOCAL ECONOMY HAPPENS TO BE IN A SLUMP, WE 'JUST SAY "N"-"O".

TODAY'S TESTIMONY WILL MAKE IT BRUTALLY CLEAR THAT THE INEQUALITY IN OUR NATION'S FINANCING OF SCHOOLS IS NOT ONLY SHOCKING, BUT ALSO UNDERMINES THE BASIS OF THE AMERICAN COMMUNITY AND THE FOUNDATIONS OF OUR FUTURE. WITHOUT EDUCATION THERE IS NO AMERICAN DREAM. WITHOUT QUALITY EDUCATION THERE IS NO EMPLOYMENT OPPORTUNITY.

MY OWN STATE OF CALIFORNIA HAS ITS PROBLEMS--BUT IN THE AREA OF EQUALIZING SCHOOL FINANCE IT HAS MADE ENORMOUS STRIDES. THE SERRANO VS. PRIEST DECISION IN CALIFORNIA HAS FORCED MAJOR STRIDES TOWARD PROVIDING A FAIR CHANCE TO ALL CHILDREN.

AS TOM JEFFERSON SAID, "EDUCATION IS THE ANVIL OF DEMOCRACY" THIS MORNING I WANT TO COMMEND CHAIRMAN HAWKINS ON INTRODUCING THIS VITAL LEGISLATION, OF WHICH I AM AN ORIGINAL COSPONSOR. I LOOK FORWARD TO THE TESTIMONY THAT WILL BEGIN TO HAMMER OUT THIS CRUCIAL ISSUE ON THE ANVIL OF DEMOCRACY. AND I LOOK FORWARD TO ACTION TO ENSURE THAT AMERICA'S CHILDREN ARE NEVER DENIED AN EQUAL OPPORTUNITY FOR QUALITY EDUCATION SIMPLY BECAUSE OF THE PRICE TAG ON THE CORNER LOT.

THANK YOU.

Chairman **Hawkins**. Thank you.

Any further statements? Mr. Smith.

Mr. **Smith**. Mr. Chairman, I don't have a statement but simply, in the material that has been handed out, I wanted to indicate a commitment to the purposes of this bill, as one who has not only served on a local school board as its chairman, but also written a State aid to education formula and watched the agony of one State as it tried to deal with this.

I simply must note that the information in the statistics provided by the Congressional Research Service, CRS, on page 6, attached to the handout today, as it relates to the State of Vermont, is radically wrong. I have spoken with the people there. We are not sure how they got the numbers they got. It is extracted from census data.

I would like to enter in the record simply two examples, that for the 1986-87 school year, it alleges that the town of Huntington spent $1,107 total per student for its elementary schools. The information which, in fact, the Department of Education would give us for that is that the town of Huntington, having subtracted from its expenditures all Federal money, all State special education money, capital expenditures and transportation—because in some States you spend an enormous amount on transportation—having subtracted all of those expenditures, spent $3,234 per student in the 1986-87 school year. That's just one example.

The point I simply want to make is that we've got to get the right information if, in fact, we are going to deliver equity for children who come from poor families and from poor school districts.

With your permission, I will enter for the record the rest of the data as it relates to my State with the corrected figures that I have received from our Commissioner of Education within the last 24 hours.

Chairman **Hawkins**. Without objection, the request will be honored.

The chair would like to simply say we received this data from CRS and have no reason to doubt the accuracy of their statements. We will request from CRS an explanation, together with the material that will be submitted by Mr. Smith. Both the material to be inserted in the record by Mr. Smith and the CRS reply will then go into the official record. (See Appendix 1.)

Are there any further statements? If not, the chair would like to call panel one, consisting of Mr. Arthur E. Wise, Director of the Center for the Study of the Teaching Profession for the Rand Corporation, and Dr. K. Forbis Jordan, Professor of Educational Leadership and Policy Studies, College of Education, Arizona State University.

Mr. Wise and Mr. Jordan, we are pleased to have you before the committee. You have obviously opened up an area of great concern, if not some controversy, and we are delighted that both of you have taken the time away from your duties to be with us this morning. We appreciate the testimony.

The prepared statements will be entered in the record in their entirety. We hope you would then deal with the highlights and permit us to question you at the end of the prepared statements. Thank you.

Dr. Wise, I believe you were listed first.

STATEMENTS OF ARTHUR E. WISE, DIRECTOR, CENTER FOR THE STUDY OF THE TEACHING PROFESSION, THE RAND CORPORATION; AND K. FORBIS JORDAN, PROFESSOR OF EDUCATIONAL LEADERSHIP AND POLICY STUDIES, COLLEGE OF EDUCATION, ARIZONA STATE UNIVERSITY

Mr. Wise. Mr. Chairman, members of the committee, my name is Arthur Wise. I have been studying matters of school finance for the last 25 years. I am currently with the Rand Corporation here in Washington, D.C.

America continues to wonder why children from more advantaged families do better in school than children who grow up in poverty. Certainly, part of the discrepancy results from what an advantaged family is able to offer its children—adequate nutrition, a stable home, collections of books, trips to museums. But part of that discrepancy results from the schools that the Nation provides.

Certainly, it is the case that children are born into different circumstances, and there is only a limit to what society can do to counteract those differences. Still, the schools that government provides should be and should provide equality of educational opportunity.

Many, many studies reveal that students in wealthy districts tend to receive well-financed educations, while students in poor school districts tend to receive poorly-financed educations. The CRS analysis prepared for this committee reveals expenditure disparities as great as five to one and more. But you need not limit yourself to the CRS analysis. There have been scores of studies typically done on a case-by-case basis, and occasionally done on a national basis, all of which point to the fact that there are real and substantial differences among the education provided to youngsters in different kinds of communities. Part of the consternation today is that the Federal Government has not carefully tracked the differences in expenditures for some time now and a serious study of school finance.

Wealthy school districts tend to be able to hire ample numbers of fully qualified teachers; poor school districts are less able to hire adequate numbers of fully-qualified teachers. Yes, money does make a difference. The laws of economics are not repealed at the schoolhouse door.

Many studies reveal that teachers and other school personnel respond to economic incentives. Nobody goes into education to get rich, but once you decide to go into education, you might as well work for a school district that pays $25,000 a year rather than one which pays $18,000 a year. Thus, discrimination is born.

In 1967, I wrote a book called "Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity," in which I suggested that expenditure disparities might violate Federal and State constitutional guarantees. For a hundred years State legislatures have been struggling with this issue. The new ingredient was to bring the courts into the picture. Shortly after the publication of that book, several school finance decisions favorable to school finance reform were enacted.

A case quickly reached the U.S. Supreme Court which, in a 5 to 4 decision, decided that such disparities did not violate the Federal Constitution. The Court pointed out that these discrepancies could be examined on a case-by-case basis as a matter of State law. Over the years since then, there have been numerous decisions favoring the reform of school finance in California, New Jersey, Connecticut, West Virginia, Washington State, and more.

Throughout the 1970s, prodded by actual or threatened lawsuits, many States passed laws aimed at reducing the vast discrepancies in funding among school districts. I can report to you that these efforts succeeded. During the 1970s, the gap between rich school districts and poor school districts tended to close. But soon thereafter, starting around 1980, inflation, fiscal constraints, politics as usual, and self-interest took their toll. By the end of the decade, many of the reforms that had been instituted had been rendered nearly ineffectual. And during the 1980s, while the world focused on excellence, inequality in educational finance has grown.

Nonetheless, we can point to some serious and sustained reform, and that is in the State of California, which proves that where there's the will, there is the way. California has equalized finance so that some 95 percent of all students attend districts with a per pupil revenue limit within an inflation adjusted $100 band—now $238—of the statewide average for each district type.

Now, that degree of equalization has been achieved in California not without some pain, but at least California voters, as a whole, are in the position to decide how much they want to spend on the education of all the children of California. All the children of California are now in the same boat.

Over the years defendants have argued that local control of the schools justifies inequality. But that argument is no longer credibly made by State government because, over the last decade, educational reform has meant State control over many decisions which were formerly made at the local level. It is the height of hypocracy to conclude that the State has a role in managing the schools without at the same time concluding that the State has a major responsibility for equalizing the resources that are made available in the schools of that State. A State which takes over the schools, which centralizes education, which makes what were formerly local decisions, can no longer invoke the local control of school argument.

Legislative responses to court orders reveals the difficulty in sustaining permanent reform of school finance laws. California proves that equitable school financing can be achieved. The experience of other States suggests that equitable school financing is difficult to sustain. The Fair Chance Act would create additional incentives for States to provide what they morally, legally, and prudentially should—equal educational opportunity. It is not only right; it is the right thing to do. It is not only fair; it is in the National interest.

School finance reform cannot solve all the problems of education, but it can equalize the opportunities that the State provides. To continue to provide better education to children in rich districts and worse education to children in poor districts is only to exacerbate the inequalities that children bring to school. To equalize educational opportunity is to redress some of the accidents of birth. Besides, America's economy can no longer afford to waste any more young minds.

Thank you, Mr. Chairman.

[The prepared statement of Arthur E. Wise follows:]

TESTIMONY

RICH SCHOOL DISTRICTS, POOR SCHOOL DISTRICTS, AND THE PERSISTENCE OF UNEQUAL EDUCATIONAL OPPORTUNITY

Before

House Subcommittee on Elementary, Secondary,
and Vocational Education

By

Arthur E. Wise, Director
Center for the Study of the Teaching Profession
The RAND Corporation
2100 M Street, N.W.
Washington, D.C. 20037
(202) 296-5000

January 24, 1990

The views and conclusions expressed are those of the author and should not be interpreted as representing those of The RAND Corporation or any of the agencies sponsoring its research.

SUMMARY

- America continues to wonder why children from more advantaged families do better in school than children who grow up in poverty. Certainly, part of the discrepancy results from what an advantaged family is able to offer its children--adequate nutrition, a stable home, collections of books, trips to museums. But part of the discrepancy results from the schools that the nation provides.
- Students in wealthy districts tend to receive well-financed educations; students in poor districts tend to receive poorly-financed educations. A CRS analysis reveals expenditure disparities as great as 5-to-one.
- Wealthy school districts tend to be able to hire ample numbers of fully-qualified teachers; poor school districts are less able to hire adequate numbers of fully-qualified teachers. Money does make a difference.
- In 1967, I wrote a book called *Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity* in which I suggested that expenditure disparities might violate federal and/or state constitutional guarantees.
- Throughout the 1970s, prodded by actual or threatened lawsuits, many states passed laws aimed at reducing the vast discrepancies in funding among districts. But soon thereafter, inflation, fiscal constraints, politics, and self-interest took their toll. By the end of the decade, many of the reforms that

had been instituted had been rendered nearly ineffectual, and, during the 1980s, while the world focused on excellence, inequality in finance grew.

- In 1989, I was obliged to write an article called "Rich Schools, Poor Schools: The Persistence of Unequal Education," as supreme courts in Montana, Texas, and Kentucky declared their school finance laws unconstitutional.
- Where there is the will, there is the way: California, which twelve years ago was chastised by its supreme court in *Serrano v. Priest*, has equalized finances so that "95.6 percent of all students attend districts with a per-pupil revenue limit within an inflation-adjusted 100-dollar band (now $238) of the statewide average for each district type."
- Pseudo sophisticated defense arguments have been defeated. The absurd argument that money does not matter has been discredited as has the argument that local control justifies inequality.
- Legislative responses to court orders reveal the difficulty in sustaining permanent reform of school finance laws. California proves that equitable school financing can be achieved. The experience of other states suggests that equitable school financing is difficult to sustain. The Fair Chance Act would create additional incentives for states to provide what they morally, legally, and prudentially should--equal educational opportunity.

- School finance reform cannot solve all of the problems of education, but it can equalize the opportunities that the state provides. To continue to provide better education to children in rich districts and worse education to children in poor districts is only to exacerbate the inequalities that children bring to school. To equalize educational opportunity is to redress some of the accidents of birth.

TESTIMONY

America continues to wonder why children from more advantaged families do better in school than children who grow up in poverty. Certainly, part of the discrepancy results from what an advantaged family is able to offer its children--adequate nutrition, a stable home, collections of books, trips to museums. But part of the discrepancy results from the schools that the nation provides. While children from advantaged families are more likely to attend clean, well-appointed schools staffed by adequate numbers of qualified teachers and supplied with up-to-date books and technological aids, children from disadvantaged families are more likely to attend class in dilapidated school buildings staffed by less-than-fully qualified teachers, supplied with outdated textbooks and few, if any, technological aids.

To be sure, educational quality is not solely determined by the level of funding a school receives. Money can be squandered and facilities put to unproductive uses, just as experienced practitioners can overcome the constraints that limited resources impose. On the average, however, schools with more money can buy more and better resources--textbooks, buildings, and, most important, faculty. When the advantaged have the better-financed schools, and the disadvantaged the poorly financed schools, America continues to provide unequal education to those who most need what school has to offer.

In many places across the nation, these discrepancies are especially stark. Consider these facts which come from recent school finance lawsuits: While some Texas districts spend over $8,000 a year per student, Elizario Independent School District is so poor that it offers no foreign languages, no prekindergarten program, no college preparatory program, and virtually no extracurricular activities. Elizario is not alone; each year, the 150,000 students living in the state's poorest districts receive educations costing half that of their 150,000 wealthiest counterparts. This inequity does not result from lack of effort by any of the residents of the poorer districts; the taxpayers supporting the 150,000 students at the bottom face tax rates double those of taxpayers at the top. Elizario's tax rate of $1.07 (per hundred dollars of property value) is some 35 cents above the state average. In 1989, the Supreme Court of Texas declared these discrepancies unconstitutional under the state's constitution.

In New Jersey, where Moorestown provides over 200 microcomputers for its 2400 students (a ratio of 1:11), East Orange High School, with a population of 2000, has only 46 (a ratio of 1:43). East Orange is a poor district, with average assessed valuation per pupil of $40,675, 21 percent of the state average. To compensate, the city's school tax effort has been above the state average every year for the past ten, as high as 144 percent. Still, the district spends less than $3000 per pupil per year, has no elementary art classrooms, a gym that serves as a school library, and "science areas" consisting of a sink, a shelf, and some storage space. After years of protracted litigation, this and similar discrepancies are now in 1990 being considered by the New Jersey Supreme Court.

Should the accident of geography determine the quality of science instruction a child receives, whether he has an opportunity to learn to play the violin, whether her first grade class will have twenty students or thirty-five? Should students in urban schools be routinely denied new math books or laboratories or basketball courts or art materials?

Certainly these inequalities constitute different treatment. But do they constitute denial of equal educational opportunity? Do they represent a denial of constitutional guarantees under federal or state law? I first posed these questions in 1965 in an article entitled "Is Denial of Equal Educational Opportunity Unconstitutional? and elaborated on them in 1967 in a book called *Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity*.

The questions were first answered affirmatively by several lower courts in the early- and mid-1970s. One of these early victories was achieved by Mexican-American parents whose children attended the Edgewood Independent School District, an urban district in San Antonio, Texas. They had brought a class action suit against the state officials in charge of school finance. A federal district court ruled in the parents' favor, holding that the Texas school finance system violated the federal equal protection clause. The state appealed to the U.S. Supreme Court. In *San Antonio v. Rodriguez* (1973), the U.S. Supreme Court found that there were unequal expenditures among districts in the state of Texas, but it held that these unequal expenditures did not violate the *federal* Constitution. The majority opinion took pains to point out that the Court was not necessarily endorsing the status quo, and the minority opinion observed that nothing in the Court's action precluded raising the question in state courts on state constitutional grounds.

Thirteen days later, New Jersey affirmed the minority opinion; in *Robinson v. Cahill*, the New Jersey Supreme Court declared the state's school financing system to be in violation of the New Jersey Constitution's Education Clause, first adopted in 1875. The clause calls for the legislature to provide a "thorough and efficient system of free public schools" for all children between the ages of 5 and 18. Interpreting the clause 100 years later, the New Jersey Supreme Court declared that "an equal education for children" was "precisely" what the drafters of the education clause had in mind. And, in the court's eyes, there was no question that an equal education for children in New Jersey was not being provided.

The court turned for solution to the legislature, which passed an act designed to equalize funding across the state. On its face, the law appeared reasonable and appropriate, but it was never seriously implemented, and in 1990, the New Jersey court is once again being called upon to review the state's school finance system.

The second state court affirmation of school finance reform came several years later from the other side of the continent; in 1976, the California Supreme Court concluded a series of decisions known as *Serrano v. Priest* by declaring the state's system of school finance to be in violation of both the Fourteenth Amendment of the federal Constitution and the state's own equal protection clause--assurances that guarantee citizens equal protection under the law. By making the quality of education a child received a function of the local school district's taxable wealth, California's school finance system was denying equal protection to children from poorer districts. Declared the court:

> We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors.

In the years since the decree, the California legislature has equalized finances so that "95.6 percent of all students attend districts with a per-pupil revenue limit within an inflation-adjusted 100-dollar band (now $238) of the statewide average for each district type." (Types are based on size characteristics.) Students in California now receive nearly an equal share of the state resources to develop their individual abilities. And all voters in the state can decide how much to spend on the education of all the state's children.

Throughout the 1970s, prodded by actual or threatened lawsuits, many states passed laws aimed at reducing the vast discrepancies in funding among districts. But soon thereafter, inflation, fiscal constraints, politics, and self-interest took their toll. By the end of the decade, many of the reforms that had been instituted had been rendered nearly ineffectual, and, during the 1980s, while the world focused on excellence, inequality in finance grew. In "Reforming School Finance in Illinois," James Gordon Ward observed a pattern that has been repeated in a number of states:

> The 1973 reform did seem to increase equity in school spending through the state . . . [but] changes in the formula later in the 1970s weakened the equalization elements and by 1980 the state of Illinois had reverted to a "politics-as-usual" approach to funding public schools.

Despite California's success, the realization of how rapidly the effects of reform can be eroded has been sobering. New lawsuits have had to be brought in states where the issue seemed resolved a decade ago. In 1989 alone, major decisions mandating school finance reform have been handed down in Montana, Texas, and Kentucky.

Throughout the history of school finance reform, opponents of change have offered three arguments. In states without an explicit education clause, they have tried to show that education is not a fundamental right and is therefore not subject to the close scrutiny implied by the equal protection clause. This argument has been accepted by courts in Idaho, Oregon, Ohio, New York, Georgia, Colorado, and Maryland, which used it as a basis for a judgment not to inquire too deeply into the inequities that the plaintiffs set forth. In states that have a "thorough and efficient" clause, or in states that accept education as a fundamental right, the defense has relied on two other major arguments: that local control outweighs the rights of districts to equal funding, and that financial input has no effect on the quality of education a district is able to offer.

In the early Texas litigation, the state (successfully) argued that the importance of local control of the schools outweighed the unfortunate consequence of unequal educational spending. In the years since, Texas has taken over many of the decisions which it formerly allowed local districts to make. The state now regulates not only such administrative details as how many times each day a school may broadcast announcements, but also such curriculum details as the requirement that prekindergarten students should develop "pincher control." Texas, by producing 350 pages of regulations, could no longer believably argue that its commitment to local control outweighed the need to abide by constitutional guarantees.

Texas is not alone. Many states, in the pursuit of excellence since 1980 have aggressively tried to improve and control local schools through regulation; some have even gone so far as to enact takeover legislation through which they would govern local school systems from the capital. By their actions, states have shown that standardized tests, statewide curriculums, uniform textbooks, and consistent teacher evaluation all outrank local control.

Two empirical justifications are offered for the contention that financial input and quality of education are unrelated. The first is that low-cost attitudinal and administrative changes, such as Ron Edmond's effective schools formula, contribute more to the quality of education than the amount of money a district is able to spend on its schools. Although this argument is appealing, closer examination shows it to be irrelevant. It is reassuring to know that schools can overcome, to some extent, the handicaps of dilapidated classrooms, textbook shortages, high student-teacher ratios and limited library facilities, but that does not justify such conditions. Nor has any research been able to show that a school with high expectations and no German teacher will produce students who speak German, or that a school with orderly classrooms and no laboratory facilities will train its students to be good scientists.

The second defense offered is that statistical studies have not been able to show a direct correlation between dollar input and school output. In 1966, James Coleman's *Equality of Educational Opportunity Report* offered the conclusion "that schools bring little influence to bear on a child's achievement that is independent of his background and general social context." This report shaped the education policy debate of the 1970s, as supporters and detractors argued whether schools can affect achievement, and whether there is any correlation between the cost of education and its quality. Unfortunately, available research has been crude and therefore inconclusive; the factors affecting a child's development are many and the resources devoted to research meager. Causal relationships are entangled (Do poor schools attract poor teachers? Do good students create good schools?) and measures of effectiveness (Should we look for higher reading scores or a more self-directed learning?) may be indeterminate or contradictory. And since analyses of the problem have depended upon existing schools and school systems, they necessarily describe what has been and not what might be.

This being so, the controversy over whether differences in expenditures can be empirically demonstrated to affect the outcomes of schooling is unlikely to be resolved any time soon. To a certain extent, this is not surprising. Money does not buy everything; there are good schools in poor districts and bad schools in wealthy districts. However, by commonly accepted standards, it is clear that resources do affect educational quality. Districts that spend more money can build nicer buildings, supply more staff, pay their teachers more, and thereby attract better teachers. A recent study of Pennsylvania school districts (see table below) confirms this.

Table 1

MONEY AND QUALITY IN PENNSYLVANIA SCHOOLS

	High-spending	Middle-spending	Low-spending
Average per-student expenditures	$4,298	$2,759	$2,266
Student-teacher ratio	15.7	19.2	21.0
Student-services ratio	158.3	217.1	246.3
Student-administrator ratio	245.6	349.6	378.5
Teacher salaries	$28,065	$22,345	$20,474
Educational level (years)	5.8	5.5	5.4
Years of experience	17.3	15.5	5.4
Administrator salaries	$41,625	$35,638	$32,891
Education level (years)	7.2	6.8	6.8
Years of experience	23.9	23.0	22.1

SOURCE: William T. Hartman, "District Spending Disparities: What Do the Dollars Buy?" *Journal of Education Finance* 13:4, Spring 1988, pp. 443, 447, 450, 451.

The author of the study concludes: "The pattern was consistent. On every measure, high-spending districts had the most or best, next came the middle-spending districts, and the last were the low-spending districts."

It is not the job of the courts to design new systems for equalizing education; their responsibility is only to guarantee a constitutional right. Implementation is a matter for legislative action. Typically, the court charges the state legislature with developing an equitable finance scheme, reserving for itself the right to review it after implementation.

Legislative responses to court orders reveal the difficulty in sustaining permanent reform of school finance laws. California proves that equitable school financing can be achieved. The experience of other states suggests that equitable school financing is difficult to sustain. The Fair Chance Act would create additional incentives for states to provide what they morally, legally, and prudentially should--equal educational opportunity.

School finance reform cannot solve all of the problems of education, but it can equalize the opportunities that the state provides. To continue to provide better education to children in rich districts and worse education to children in poor districts is only to exacerbate the inequalities that children bring to school. To equalize educational opportunity is to redress some of the accidents of birth.[1]

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[1] Adapted from Arthur E. Wise and Tamar Gendler, "Rich Schools, Poor Schools: The Persistence of Unequal Education," *College Board Review*, No. 151, Spring 1989. References are in the original article, which is available from the senior author.

Chairman **Hawkins**. Thank you, Dr. Wise.

Dr. Jordan.

Dr. **Jordan**. Thank you, Mr. Chairman.

I am Forbis Jordan, professor, as previously said, at Arizona State University. I must say it's a privilege to return to Capitol Hill after ten years of service with the Congressional Research Service and to see a number of my old friends.

Mr. Chairman, the Fair Chance Act is an important legislative proposal in this Nation's history. Currently, the public schools are being confronted with a variety of pressures, but we do not see a similar pressure for adequate and equitable funding for the Nation's school children. As suggested in the charts, which are with my printed statement, considerable gaps remain in the efforts to provide equal educational opportunity for all children, both within and among States. Through the Fair Chance Act, the Nation's children will have greater access to increased funding and to more equitably funded educational programs.

My comments are going to focus briefing on three areas. First, the data set, which has been referred to earlier—I have a series of charts. Second, some conflicting values related to the financing of schools, and third, concluding observations about the equity measure in the Fair Chance Act.

As has been mentioned previously, for the hearing a preliminary analysis has been made of the data which have been gathered by the Bureau of the Census. This is an interesting data set because, as has been stated, it includes all school districts in the Nation. So, for comparative purposes, it gives you a kind of a rich data set to look at.

I recognize that there will be some discrepancies in the data set that might be revealed in a more detailed analysis. Any time one has a reporting system from 16,000 people, you can have that as kind of an inevitability. But I think the trends will, in all likelihood, be similar.

My first contact with school finance was almost two decades ago, with something called the National Educational Finance Project, which was funded out of the old Elementary and Secondary Education Act, title V. We found at that time some terrific and interesting problems in terms of reconciling data, so it is one of the things that one has to deal with in this area.

One of the cautions in comparing data with the equity standards in the Fair Chance Act is that these revenues that are reported by the Bureau of Census are gross averages per pupil in the school districts for current expenditures and have not been adjusted for incidence of high cost pupils, sparsity, small school, or high cost areas. Under the equity measures in the Fair Chance Act, such adjustments would be made in determining if the State school finance program meets equalization standards.

In the charts which I have for you, those districts with fewer than 100 students were excluded from the analysis. So we find a rather wide range among the States. As you can see, just to give you some idea of the relative range, excluding those districts with fewer than 100 students, it gives you, for example, in Connecticut, a range of from $3,400 to almost $6,800.

Here you have the Middle Atlantic-East North Central States. You can see that we have several States in which the disparity is not very great, and then all of a sudden you encounter some where it is.

In the East and West South Central States, which are Alabama, Arkansas, Kentucky and on over to Texas, you can see the disparity in Texas there which reflects two kinds of things. One is the wealth difference as well as the size factor, the cost of operating very small school districts.

This is the region in which you have the least amount of variation, what might be referred to as the Atlantic Coast, going from Delaware and dipping over and getting West Virginia, but going down through the Carolinas.

This is the West North Central Region, which is the upper Midwest. You see again, if you compare the previous chart with this one, you see some of the differences in spending that one finds among the States in terms of the levels of spending which are there.

Then the Mountain Region, and to close out, to illustrate some of the real problems which are associated with high costs and sparsity, you have Alaska here where the range is from $5,600 to almost $26,000 per pupil. If those charts and those data were adjusted for size and adjusted for sparsity, it would squeeze down because there are high cost adjustments which are built into the Alaska program.

As we looked at the field of school finance in the last two decades, two very traditional American values have come into conflict. One is the term "equity." Equity refers to equal treatment of persons in equal circumstances. But, of course, nothing is ever truly equal. Of the three terms, equity is the best known and possibly the least understood. I have said on occasion it's like beauty. It's an admirable goal, also, and probably, within some instances, an unachievable goal.

In the final analysis, the operational definition of equity is determined by the public policy goals that guided the actions of the legislative body or by the decisions of the courts.

There was a man I worked with for several years, R.L. Johns, who was a classic Prussian in many ways. He used to say that in Alabama they had a tremendous equalization program and that was because they equalized poverty. I have characterized this, that one can have an equal sharing of steak and potatoes, cornbread and beans, or bread and water, and that feeds into the concept of adequacy, which is one of the real concerns which relates to choice and equity.

In the equalization standards, you can also have equal treatment of taxpayers or equal treatment of students. A State school financed program can provide equity for one and then can neglect the other.

I have the following observations relative to the use of the Pub.L. 81-874 equity or the impact aid standards in the Fair Chance Act. First, rather than measuring similar conditions in different ways, these equity measures were conceptualized to assess different conditions. The two standards were designed to accommodate very different types of school finance programs. The revenue disparity standard assumes that equity is related to differences in spending per pupil. This standard was designed to measure the equity of formulas such as the foundation program that provides a uniform funding level or uniform base per pupil. The public policy goal in this instance is pupil equity or equal funding per pupil.

The alternative standard is the wealth neutrality standard. It assumes that equity is related to equal funds for equal levels of tax effort, meaning that school districts can exercise a choice as to the level of funding which they want to provide for their children. But in the process of exercising that choice, the equalization factor comes into play. In the trade we have what's called recapture, in which the very rich district then loses its money and has to ship it to the State to be redistributed among the less wealthy and less fortunate neighbors.

As you look at the evolution of school finance programs over the years, even in California, it started out talking about the spending level should not be dependent upon the wealth of the child's parents and neighbors. That would have permitted a wealth neutrality standard in the original Serrano decision. But as it has evolved, it has moved toward having an expenditure disparity review. The wealth neutrality standard is designed to measure the equity of such formulas as percentage equalizing guaranteed tax base or district power equalizing. These school finance systems empower local school officials to choose the funding level per pupil. But the concept of wealth neutrality does not assume equitable treatment of students but, rather, assumes equal funding for equal levels of effort.

In closing, in spite of the previous criticisms and the construction that people have had about the various equity measures, revenue disparity and wealth neutrality are the most easily understood measures because they focus on the revenues available to schools.

Thank you, Mr. Chairman. It's been a privilege being here.

[The statement of K. Forbis Jordan, with attached charts, follows:]

TESTIMONY

on the

Fair Chance Act

before the

SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION

COMMITTEE ON EDUCATION AND LABOR

The Honorable Augustus V. Hawkins, Chairman

UNITED STATES HOUSE OF REPRESENTATIVES

January 24, 1990

by

K. Forbis Jordan
Professor of Educational Leadership and Policy Studies
College of Education
Arizona State University
Tempe, Arizona 85287-2411

Accompanied by

Teresa S. Lyons and John McDonough
Research Associates
College of Education
Arizona State University

ARIZONA STATE UNIVERSITY

Mister Chairman and Members of the Subcommittee, I am honored to have the opportunity to testify before the Subcommittee. It is a privilege to return to Capitol Hill after my ten years of service with the Congressional Research Service.

The Fair Chance Act is an important legislative proposal at this time in the Nation's history. Rhetoric calling for the improvement of elementary and secondary education is coming from a variety of sources in the private and public sectors. Expectations and requirements for public education are being increased, but similar concerns for adequate funding are not being expressed. Unfunded and underfunded State mandates have become commonplace. However, as suggested by the attached charts, considerable gaps remain in the efforts to provide equal educational opportunity for all children both within and among States.

The Fair Chance Act will draw attention to the continuing problem of equitable financing for the Nation's public schools. Given the diversity found in our 50 State systems of education and 16,000 local school districts, the quest for equity in school funding appears to be a never ending struggle. Public education is a complex endeavor provided in over 80,000 schools with over 40 million public school children being taught by 2.2 million teachers.

This testimony focuses on four areas. First, information is presented about the disparity in spending among local school districts within States. Second, the discussion shifts to some of the conflicting values related to the financing of schools. Third, current equalization provisions under P.L. 81-874 are reviewed.

Fourth, the concluding comments are related to my observations about the equity measures in the Fair Chance Act.

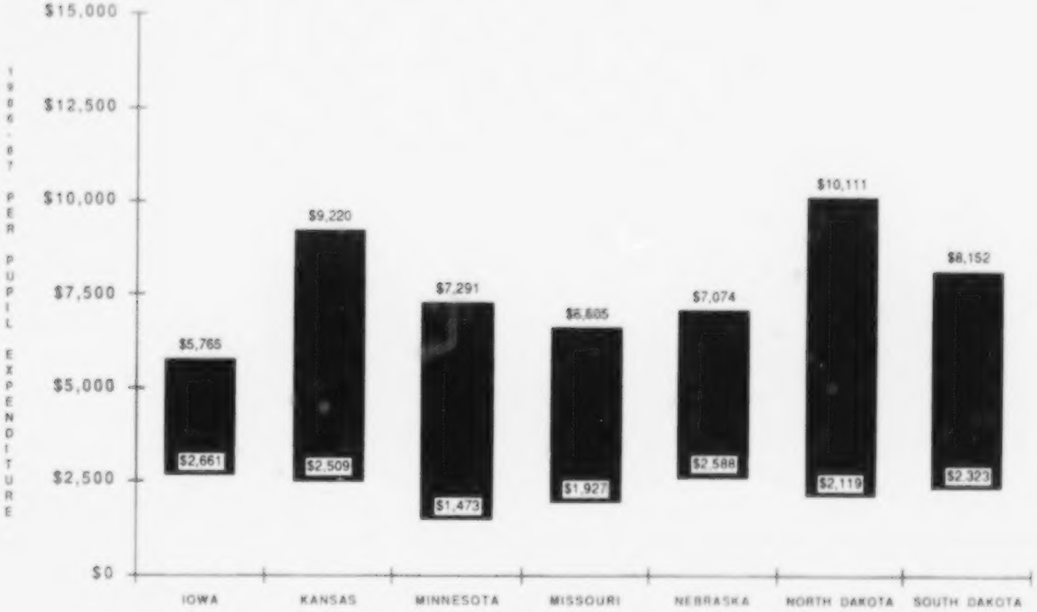
Spending Within and Among the States

For the hearing, a preliminary analysis has been made of per pupil expenditure data for current operation during the 1986-87 school year by school district from data supplied by the Bureau of the Census. This dataset includes the universe of school districts in the nation. For analysis purposes, the information should be valuable because efforts have been made to correct many of the previous criticisms of Bureau of the Census school district data. These remarks are based on a preliminary analysis of the data to illustrate the disparity in per pupil spending within the various States. Some discrepancies in the data may be revealed in more detailed analyses, but the trends likely will be similar. For analysis purposes, this dataset is extremely valuable because it is the most recent and comprehensive information.

One caution in comparing these data with the equity standards in the Fair Chance Act is that these revenues per pupil are gross amounts per pupil and have not been adjusted for the incidence of high cost pupils, sparsity, small school adjustments, or high cost areas. Under the equity measures in the Fair Chance Act, such adjustments would be made in determining if a State's school finance program meets equalization standards; these adjustments also typically are made in statistical analyses of the equity of State school finance programs.

WEST NORTH CENTRAL REGION

K-12 DISTRICTS - ENROLLMENTS OVER 100



Data in the table in the appendix to this testimony indicate the high and low per pupil expenditure for school districts in each of the States. School districts with fewer than 100 students were excluded from this analysis. This information is relevant to the Fair Chance Act because one of the equity measures in the proposed legislation is the revenue disparity measure, or range in spending per pupil among local school districts.

Excluding school districts with fall enrollments below 100 students, levels of revenue disparity among the States ranged from 1.00 to 1 in Hawaii to 8.49 to 1 in New York. The number of States in various disparity range clusters is as follows:

Number of States	Disparity Range
10	1.00 - 1.99
16	2.00 - 2.99
13	3.00 - 3.99
8	4.00 - 4.99
4	5.00 or more

NOTE: The number of States is 51 because ratios were calculated for both elementary and high school districts in Montana.

States with revenue disparity indices below 2.00 to 1 were Alabama, Connecticut, Delaware, Florida, Maryland, North Carolina, Rhode Island, South Carolina, and West Virginia. The common element in these States is a relatively small number of school districts. Even though their disparity indices are relatively low, State financing systems for public education have been challenged in both Connecticut and West Virginia.

States with revenue disparity indices above 4.00 to 1 were Alaska, Arkansas, Colorado, Minnesota, Montana (elementary and high school districts), New York, North Dakota, Ohio, Oklahoma, Texas, and Vermont. State financing systems in Montana and Texas are currently under challenge. The common element in most of the States with high levels of disparity is relatively large numbers of school districts, sparsity of population, or low enrollment school districts. Even after recognizing the differences that are attributable to high-cost pupils, sparsity, small schools, and high-cost areas, most States would have to make significant changes in their systems for financing schools to meet the current P.L. 81-874 fiscal equity standards much less those in the proposed legislation.

States have been grouped by Bureau of the Census region in the attached charts to illustrate the variances in average State expenditures per pupil among States on a regional basis. The most pronounced differences are in the Middle Atlantic/Midwest regions and the Far West region.

Questions often are raised about the relative importance of the differences in the assessed valuation per pupil among local school districts, but virtually all districts have home owners with houses of equal value but very unequal tax rates. For example, total operation and debt service tax rates per $100 of assessed valuation in Maricopa County (Arizona) elementary districts range from $6.49 to $0.10; in high school districts from $3.39 to $2.52; and in unified school districts from $10.00 to $3.43. (The low tax rate elementary school district has fewer than 20 students.) [1]

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[1]/ Management Information Report. College of Education, Arizona State University, Tempe, Arizona. 1989.

Data on 1988 effective tax rates for Texas indicate variations from $0.74 to $1.47 per $100 of assessed valuation in Harris County (Houston) and from $0.48 to $1.19 per $100 of assessed valuation in Dallas County. In Harris County, the 1986-87 residential property tax bill on a homestead with an equalized value of $80,000 ranged from $425 to $1,218. In Dallas County, the 1986-87 residential property tax bill on a homestead with an equalized value of $80,000 ranged from $279 to $908.[2]

Even with the obvious inequities in these revenue disparities, some researchers choose to ignore these spending differences because they contend that per pupil spending levels do not make a difference in terms of student performance. However, there is no evidence that these same persons are seeking to reduce expenditures for education, and especially funding for the education of their children. If a responsible citizen believes that funding levels make no difference, it would appear logical for that person to work for reduction in spending in all school districts to the lowest in the State, or in the nation, to free scarce public funds for other public services.

Considerable attention has been given to education reform since the mid 1980s. The public perception may be that State funding for education has increased significantly, but such has not been the case. Estimates of funding for school "reform" vary because of differing interpretations and varying conditions among the States.

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[2]/ Bench Marks for 1988-89 School District Budgets in Texas. Texas Research League, August 1989.

A "reform" in one State may be a tradition in another and discarded practice in another.

State funds for educational "reforms" have not followed a consistent pattern. In some States, the tax effort and the level of funding for education historically have been low, and much of the new money in these States must be classified as "gap closing." Except for a few instances, the level of new State funding has not been sufficient to support the "reforms" of the public schools and teacher education programs. To secure visibility for the reform agenda, limited funding has been allocated to specific "high visibility/low cost" educational programs or activities. Even in those few States that have provided special funding for school reform, reform funding has represented less than 10 percent of total State appropriations for elementary and secondary education. Schools find themselves confronted with increased in-school performance requirements and higher expectations without additional funds.

School Finance Beliefs and Values

Two basic principles guide the financing of the public schools in these United States -- First, education is a function of the State level of government. Second, in the design and implementation of the State school finance program, the State has an equal responsibility to each student in the State. However, this does not eliminate the need for a Federal concern about access and equality of educational opportunity as expressed in the Fair Chance Act.

THREE INTERACTIVE AND OFTEN NON-COMPLIMENTARY GOALS OR CONCEPTS ARE INFLUENCING PUBLIC POLICY CHOICES ABOUT THE WAYS A STATE FINANCES ITS SCHOOLS: EQUITY -- CHOICE -- AND ADEQUACY. In the last two decades, two traditional American values -- equity and choice -- have come into conflict in the financing of public education.

The first portion of the following discussion addresses the concepts of equity and choice as they relate to the development of State systems for financing schools. Then, the discussion will shift to the concept of adequacy.

EQUITY -- The term, equity, refers to equal treatment of persons in equal circumstances, but, of course, nothing is ever truly equal. Of the three terms, EQUITY is the best known and possibly least understood. Equity is an admirable, but possibly unachieveable, goal. There is not universal agreement on the meaning of equity; the term is subject to interpretation. In the final analysis, the operational definition is determined by the public policy goal that guided the actions of the legislative body, or the decision of the courts.

At the basic level, equity refers to equal treatment; however, one can have equal sharing of steak and potatoes, cornbread and beans, or bread and water. In considering the extent to which equity has been attained, the issue is whether the focus is on equal treatment of taxpayers or equal treatment of students; a State school finance program can provide equity to one and neglect the other. Both student equity and taxpayer equity can be attained, but that implies a commitment to an adequate funding level.

Equity has been viewed from two dimensions. One is equal treatment of equals or "horizontal equity." However, probably no one would be pleased if all persons were forced to wear the same size and style in shoes and clothing. The same principle can be applied to students in schools, for they have different educational needs. The challenge is to devise a State funding system that recognizes differences in need but still permits some acceptable level of discretion in the school district, school, and classroom.

The alternative dimension is "vertical equity" in which size, or educational need, differences are recognized in the State school finance program. Additional funds for pupils with special needs in State school finance formulas are in the vertical equity family. A specific example is the level of materials and personnel required to serve severely handicapped students. In the 1960s, David Beggs illustrated the meaning of vertical equity by saying that there is nothing so unequal as the equal treatment of unequals. The challenge is to identify all of the areas in which real differences exist in educational need among students and schools.

CHOICE -- The concept of choice in education can refer to different things; one is the power of the local school board to choose the level of funding for schools. The governance structure for public education in America was founded on the premise that local citizens through local school boards would have the power to choose the level of funding for their schools, but that choice has contributed to large disparities in spending per pupil. This tradition of local control is being threatened by equity challenges in the courts that seek equal levels of funding for equal tax rates and also by statutory or constitutional limitations on local school district spending and revenues.

Another aspect of choice is gaining popularity today. This concept of choice is the power of the parent to choose the school that the parent's child will attend. A few States have enacted this legislation, and discussions are underway in several others. One problem is that if the student is not provided transportation; choice more likely will be exercised by the parent who has a car at home, does not work, and has the money and time to transport the child to and from the school of choice. The hope is that parents will make informed choices and not be victimized by hustlers and hucksters promoting a program or a school. If choice is to improve schools, efforts should be made to develop more comprehensive indicators of good schools than winning athletic teams, good bands, merit scholars, and high pupil achievement scores. The challenge for the proponents of choice is to work toward ensuring that all students have the opportunity to exercise choice.

ADEQUACY -- In the school finance lexicon, the concept of adequacy is used to refer to the type of educational program made available for students and the extent to which programs and learning opportunities are "sufficient" for a particular purpose. The definition of that purpose is the public policy decision. For handicapped children, it is the individualized educational program as developed through interaction between the parents and a team of professional educators. Delivery of an adequate program does not assume equal funding per pupil; in fact, it assumes unequal funding per pupil -- very similar to the concept of vertical equity.

As with equity, choice, and accountability, your position on adequacy depends upon where you sit. An employer's position on adequacy will be influenced by the degree to which new employees possess the level of skills required to succeed in a particular job in your firm. The superintendent's position on adequacy will be influenced by whether or not sufficient funds are available to fund the educational program desired by the community. A school personnel director's position will be influenced by the extent to which the school district's salary schedule facilitates the employment and retention of the type of teacher sought by the school district. A teacher's concern likely will be related to salary, working conditions, and types of support provided by the district. A principal's position on adequacy will be influenced by the extent to which the budget provides the school with the people and things to operate the type of school sought by the community. A student's position will be influenced by the extent to which the schools provide the desired learning opportunities and experiences. A parent's position will be influenced by the perception of how the school treats the child and the understanding of what the child has learned. A citizen's position will be influenced by the perceptions of the schools as institutions and the performance of the students. Someone interested in economic development will think that the schools are adequate when their perceived quality is sufficient to attract industry, but the tax burden is not so great that industry is driven away.

Absolute definitions do not exist for the three school finance concepts. However, public interest in these terms is high as they relate to education. Some State school finance formulas in the quest for equity and adequacy provide for uniform spending per pupil -- leading to student equity. Others in the quest for equity and choice permit variations in per pupil spending but guarantee specific funding levels based on the local tax rate -- leading to taxpayer equity. In the latter instance, the level of funding is determined by the aspirations of local school district decision makers; as a result, student equity and adequacy may be sacrificed at the altar of choice. This follows the tradition of local school officials having the freedom to choose the level of funding for their schools, and the result typically has been a wide range in per pupil expenditures and unequal treatment of pupils and taxpayers among school districts.

In the previous discussion, emphasis has been placed on the extent to which this stress is recognized; the world of financing schools is imperfect and full of educational and political compromises. Also, the majority may not be able to agree that equity has been attained, but they can agree that equity has not been attained as long as large disparities exist. The overall intent is to address particular problems related to funding education, reduce the disparities in educational opportunity among districts, and move toward providing an adequate program for all students. Overview information about the federal equity standards follows.

The Federal Fiscal Equity Standards

The current provisions in P.L. 81-874 concerning equalization in State school finance programs were enacted in the Education Amendments of 1974. Section 5(d)(2) was added so that the Federal impact aid funds would not disrupt the efforts of the States to equalize their funding of local school districts. This action was taken in response to the efforts of State legislatures to increase the equity in their systems for financing public elementary and secondary schools.

The Congress authorized the Department of Education to establish standards that might be used to determine if a State has an equalized school finance system. The impetus was the need to certify the State's eligibility to consider funds under P.L. 81-874 (impact aid) as local tax receipts in the calculation of State equalization payments to local school districts. If the State could not consider the funds, the Federal program had the effect of interfering with the efforts of the States to equalize funds among local school districts. In the 1988-89 school year, programs in seven States (Alaska, Arizona, Kansas, Maine, Michigan, New Mexico, and Wisconsin) were examined and certified as meeting one of the federal standards.

The concept of equalization in funding for local school districts is based on the legal principle that the State has the responsibility to provide equal treatment for all school children irrespective of the incidence of local district wealth. State statutes provide for equalization in State school aid by allocating the funds per pupil in an inverse relationship to the local school district's wealth per pupil. Larger amounts per pupil are paid to low wealth school districts, and smaller amounts per pupil are paid to high wealth districts.

Under the provisions of section 5(d)(2) of P.L. 81-874 and 34 CFR Part 222, Subpart G, a State can apply for a determination as to whether the State's school finance program meets either: (1) the wealth neutrality standard; or (2) the revenue disparity standard. The current Federal statute and related regulations provide for threshold standards of equalization before a State may "consider" Federal impact aid funds as local revenue in the calculation of State payments to local school districts. Upon formal request from the State, the U.S. Department of Education will review the State's school finance data and determine if the State meets the selected equalization standard. Currently, the decision to seek permission to "consider" impact aid payments as local revenue in the calculation is a discretionary decision for individual State legislatures because of the plenary power that States have over educational funding.

Under the revenue disparity test, State and local revenues per pupil for current operations are analyzed to determine the extent to which per pupil expenditures vary among school districts in the State. Expenditures per pupil do not have to be exactly equal. Under this test, States may adjust revenues to recognize the differential costs associated with high cost students, cost-of-education differences among school districts, and small school differentials.

Under the wealth neutrality test, all State and local revenues for the current operation of public elementary and secondary schools are aggregated to determine the amount that is neutral of local wealth. State equalization payments, State flat grants to all school districts, and local revenues attributable to the qualifying tax rate for State aid are considered to be wealth neutral. Non-wealth neutral funds are local supplements above the equalization level. Under this test, revenues per pupil will vary among local school districts. Each local school district's spending level is a matter of local choice. Also under this standard, States may adjust revenues to recognize the differential costs associated with high cost students, cost-of-education differences among school districts, and small school differentials.

The requirement for the wealth neutrality standard is that no less than 85 percent of the total State, intermediate, and local revenues for current expenditures be wealth neutral. The wealth neutrality standard in the Fair Chance Act would be 95 percent rather than 85 percent. The current requirement for the revenue disparity standard is that the disparities in the amount of current expenditures or revenues per pupil cannot be more than 25 percent, resulting in an index or ratio of 1.25 to 1. The standard for revenue disparity in the Fair Chance Act would be 1.05 to 1.00.

Under current procedures, the State requests the equalization review by the U.S. Department of Education, and the choice of standard is at the discretion of the State. Procedures for calculating the State's equalization level are prescribed in Federal regulations and related documents.

Under the Fair Chance Act, the U.S. Department of Education would review the financing system of each State and make a determination as to compliance with the adopted standard. The standard levels in the Fair Chance Act are higher than those currently in effect for P.L. 81-874. However, the basic concepts remain in effect. Equity would be based on the degree to which State and local revenues in a State's school finance program result in local school districts in a State having either equal funds per pupil (expenditure/revenue disparity) or equal ability to have equal funds per pupil (wealth neutrality).

Reservations about the Standards

After over a decade of reviewing the P.L. 81-874 equalization standards from a hypothetical perspective as an analyst with the Congressional Research Service and the past two years working on this issue with States, I have the following observations relative to the use of the P.L. 81-874 equity standards in the Fair Chance Act:

1. Rather than measuring similar conditions in different ways, the equity measures for P.L. 81-874 were conceptualized to assess different conditions. The two standards were designed to accommodate very different types of school finance programs.

The _revenue disparity standard_ assumes that equity is related to differences in spending per pupil. This standard was designed to measure the equity of formulas such as the foundation program that provide a uniform funding level base per pupil; _the public policy goal is pupil equity or equal funding per pupil_.

The _wealth neutrality standard_ assumes that equity is related to equal funds for equal levels of tax effort. The concern is not with the level of funding or the differences in funding per pupil among districts, but is with equal dollars for equal effort. The methodology for calculating the extent of wealth neutrality is quite complex and must be adjusted to meet the provisions of the school financing system in each State. This standard was designed to measure the equity of formulas such as the percentage equalizing, guaranteed tax base, or district power equalizing. These school finance systems empower local school officials to choose the funding level per pupil in their school district. The concept of wealth neutrality does not assume equitable treatment of students but rather assumes equal funding for equal levels of tax effort; _the public policy goal is taxpayer equity_ rather than student equity.

2. For those who are concerned about adequacy in funding, the unrestricted concept of wealth neutrality ignores adequacy by providing unfettered local school district choice in determining levels of per pupil spending. To ensure that all students have access to an adequate education, the State then must adopt and enforce a monitoring system that will address the issues related to equalization of opportunity for all children in the State.

3. The current P.L. 81-874 wealth neutrality standard of 85 percent is inadequate in terms of providing protection to taxpayers in low enrollment, low wealth districts. Resources in high enrollment school districts enable a State to reach the standard and have students in districts with inadequate resources. (A State's school finance program can meet the wealth neutrality standard and still have high disparities in per pupil expenditures as noted in the data for Arizona, Kansas, Maine, Michigan, and Wisconsin.)

4. The current P.L. 81-874 revenue disparity standard excludes five percent of the students at either end of the per pupil spending continuum in the State. The rationale for this exclusion was "based on the accepted principle of

statistical evaluation that such percentiles usually represent unique or noncharacteristic situations." [3]

In essence, the public policy is to ignore the manner in which the State funds the five percent of the children receiving the lowest level of per pupil funding. Some of these districts may be statistical aberrations, but experience with State data suggests that pupils are being deprived of equal access to an education in these low spending districts.

5. In spite of the previous criticisms of these two equity measures, revenue disparity and wealth neutrality are the most easily understood measures because they focus on the actual revenues available to schools.

In summary, even with the various school finance reform efforts over the past two decades, the quest for equity in access to educational funding has been illusive. The Fair Chance Act is a positive step on the part of the Congress to address the issues related to equity in State school finance programs.

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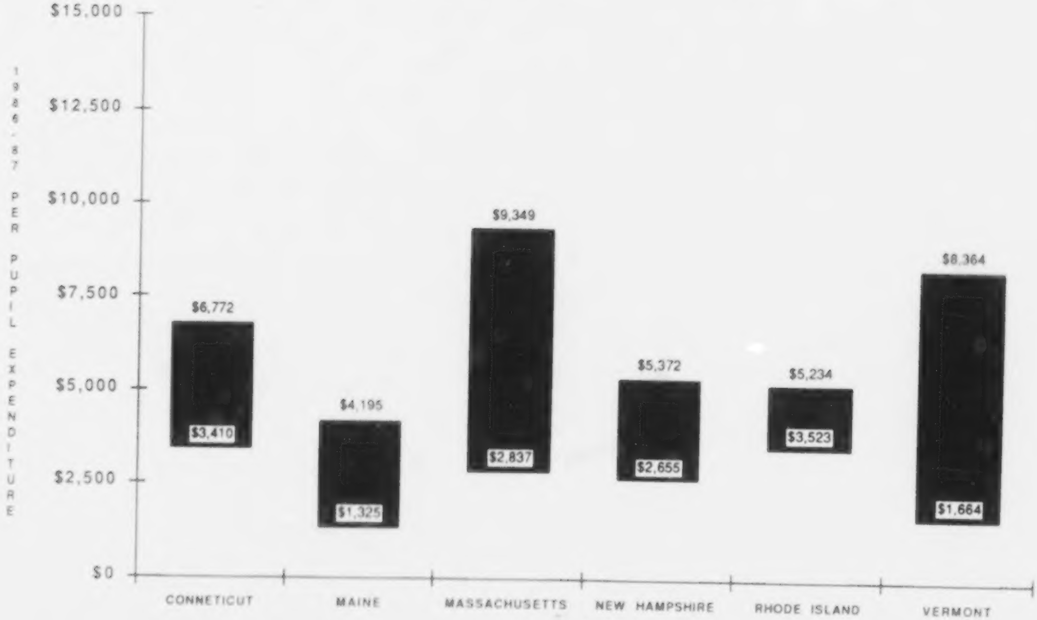
[3]/ "Instructions for Determining the Percent of Expenditure or Revenue Disparity in a State School Finance Program under Section 115.63 (now 222.63) of Federal Regulations." U.S. Department of Education. Undated. p. 1.

PER PUPIL EXPENDITURES FOR UNIT SCHOOL DISTRICTS WITH ENROLLMENTS
OVER 100 PUPILS IN 1986-87

	HIGH DISTRICT	LOW DISTRICT	RATIO TO 1.00
ALABAMA	$3,125	$1,731	1.81
ALASKA	$25,982	$5,576	4.66
ARIZONA	$6,275	$2,418	2.60
ARKANSAS	$7,522	$1,741	4.32
CALIFORNIA	$8,074	$3,080	2.62
COLORADO	$10,888	$2,619	4.16
CONNECTICUT	$6,772	$3,410	1.99
DELAWARE	$4,737	$3,504	1.35
FLORIDA	$5,199	$3,085	1.69
GEORGIA	$6,886	$2,017	3.41
HAWAII	$3,129	$3,129	1.00
IDAHO	$4,447	$1,772	2.51
ILLINOIS	$5,832	$1,866	3.13
INDIANA	$7,541	$2,248	3.35
IOWA	$5,765	$2,661	2.17
KANSAS	$9,220	$2,509	3.67
KENTUCKY	$4,053	$1,762	2.30
LOUISIANA	$4,674	$1,966	2.38
MAINE	$4,159	$1,325	3.14
MARYLAND	$5,003	$3,051	1.64
MASSACHUSETTS	$9,349	$2,837	3.30
MICHIGAN	$6,629	$2,040	3.25
MINNESOTA	$7,291	$1,473	4.95
MISSISSIPPI	$4,018	$1,324	3.03
MISSOURI	$6,605	$1,927	3.43
MONTANA (ELEM)	$9,375	$1,955	4.80
MONTANA (HS)	$10,542	$1,460	7.22
NEBRASKA	$7,074	$2,588	2.73
NEVADA	$7,566	$3,182	2.38
NEW HAMPSHIRE	$5,372	$2,655	2.02
NEW JERSEY	$7,437	$3,369	2.21
NEW MEXICO	$7,211	$2,573	2.80
NEW YORK	$26,230	$3,091	8.49
NORTH CAROLINA	$3,985	$2,623	1.52
NORTH DAKOTA	$10,111	$2,119	4.77
OHIO	$11,116	$2,263	4.91
OKLAHOMA	$6,154	$1,317	4.67
OREGON	$8,395	$2,702	3.11
PENNSYLVANIA	$6,874	$2,404	2.86
RHODE ISLAND	$5,234	$3,523	1.49
SOUTH CAROLINA	$3,608	$2,301	1.57
SOUTH DAKOTA	$8,152	$2,323	3.51
TENNESSEE	$3,676	$1,690	2.18
TEXAS	$9,035	$1,207	7.49
UTAH	$5,457	$2,087	2.62
VERMONT	$8,364	$1,664	5.03
VIRGINIA	$6,302	$1,746	3.61
WASHINGTON	$8,583	$2,759	3.11
WEST VIRGINIA	$4,183	$2,759	1.52
WISCONSIN	$7,915	$2,881	2.75
WYOMING	$9,758	$4,146	2.35

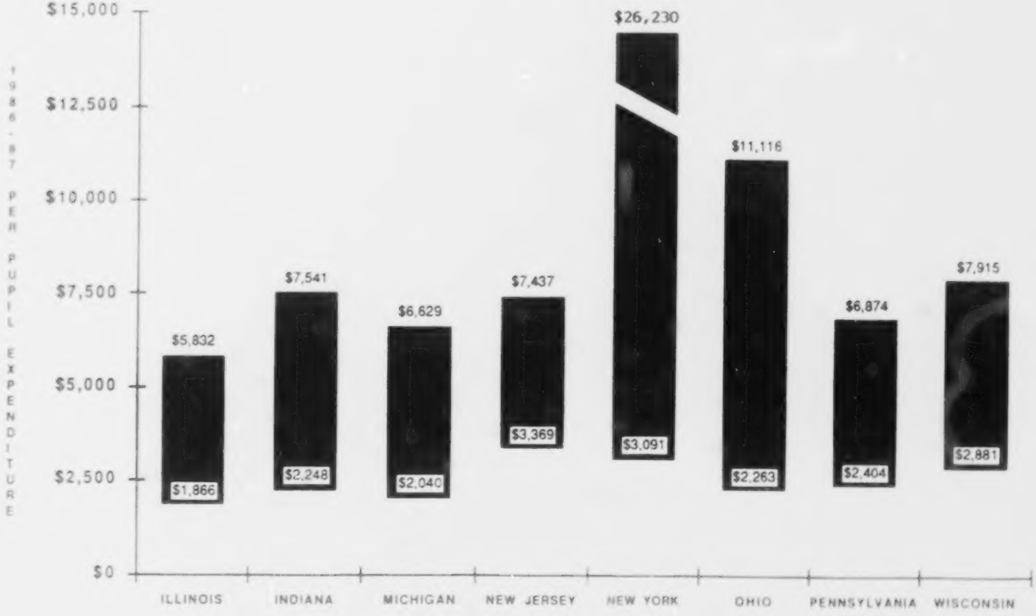
NEW ENGLAND REGION

K-12 DISTRICTS - ENROLLMENTS OVER 100



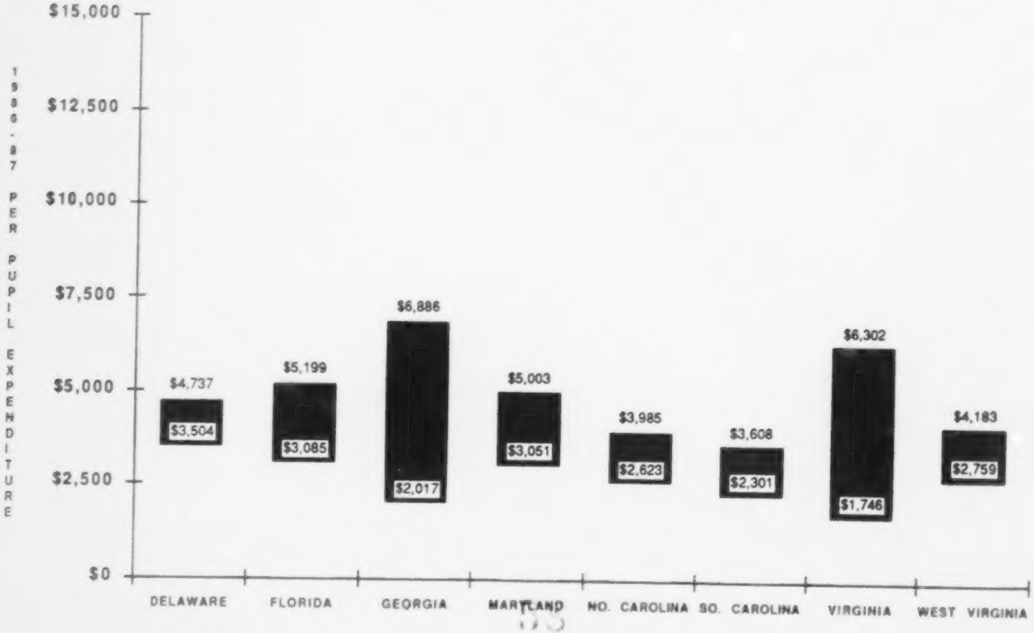
MIDDLE ATLANTIC - EAST NORTH CENTRAL REGION

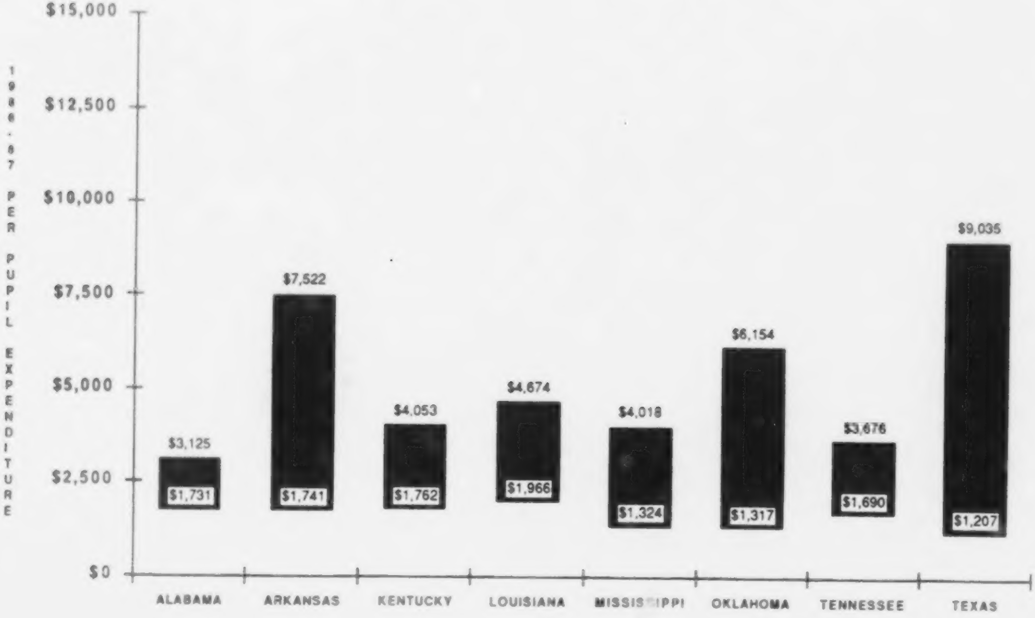
K-12 DISTRICTS - ENROLLMENTS OVER 100



SOUTH ATLANTIC REGION

K-12 DISTRICTS - ENROLLMENTS OVER 100



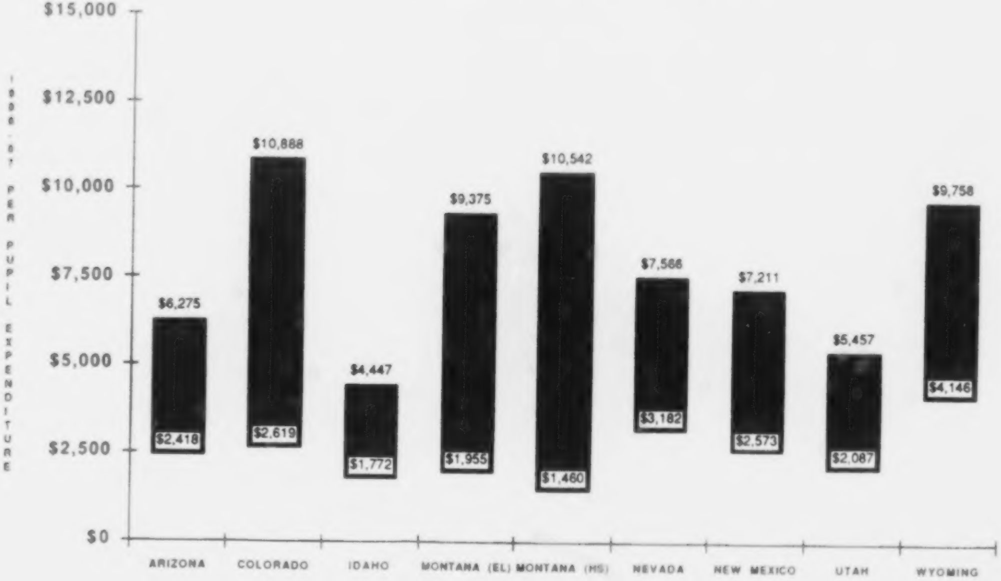


EAST AND WEST SOUTH CENTRAL REGION

K-12 DISTRICTS · ENROLLMENTS OVER 100

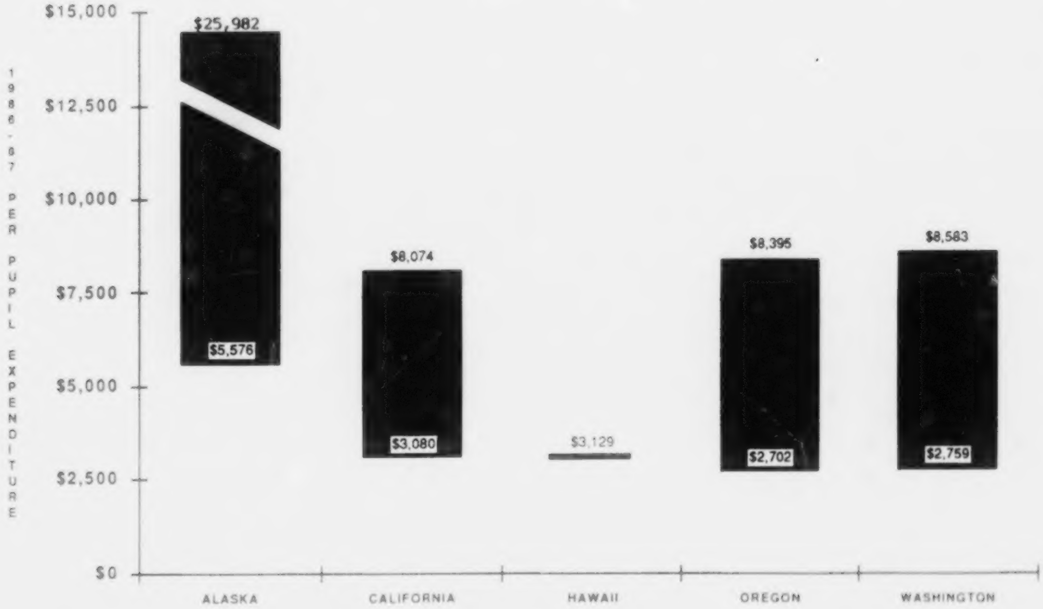
MOUNTAIN REGION

K-12 DISTRICTS - ENROLLMENTS OVER 100



PACIFIC REGION

K-12 DISTRICTS - ENROLLMENTS OVER 100



Chairman **Hawkins**. Thank you, Dr. Jordan.

The Chair would like to inquire of Dr. Wise. Are you familiar with the recent study—it was called to my attention as late as yesterday, and I have not had an opportunity to thoroughly review it—by the Cato Institute. This study seems to be in contradiction with the study that you have conducted. (See Appendix 3.)

In reading the Cato Institute study, the conclusion seems to be that spending will not improve the schools. That's a rather blanket statement and a conclusion. The evidence upon which the study was based is rather fragmented. It would almost indicate that budget cuts would improve education, or that poor school districts are in some way superior to the districts that have available large resources, because the poor districts manage much better at poverty. It's better than being wealthy because then you're frugal and you manage your money better.

It's a rather strange argument. I don't think I could try it on my wife, who does the buying for the family. I think I would be a bachelor before I got through, if I said that money doesn't matter.

Without drawing any specific conclusion, because I have not had an opportunity to thoroughly analyze the study, and we have not had an opportunity to have those who crafted the study to come before the committee, but may I ask you whether or not you are familiar with the study and, if so, I would ask you to comment on it.

Mr. **Wise**. Well, sir, I am not familiar with the study, although I tend not to pay a lot of attention to studies emanating from that particular organization. The notion that money does not make a difference is preposterous on its face. We as individuals, we as citizens, we as corporations, all operate consistently with the idea that money is an important enabler.

Now, the fact of the matter is that many districts whose children perform poorly in school are school districts which have large numbers of disadvantaged youngsters. So it is rather simple to notice that some youngsters come from wealthy families, they go to well-financed schools, and they do well. Other youngsters who come from disadvantaged backgrounds go to poorly financed schools and they don't do well.

This entangling cause and effect in those matters is not entirely easy. It almost seems surely the case that we are going to have to spend more money on the education of youngsters from disadvantaged backgrounds. So I think the problem is not so much in reality as it is in the peculiar lenses which people bring to bear as they look at the phenomenon.

Chairman **Hawkins**. Doctor, I think that I could, from my own experience, build a pretty good case for inequality if it were to be built on spending the most on those who need it the most as opposed to what is suggested by the proposal we have before us, the Fair Chance Act, which simply says every child shall receive roughly the same amount. I'm cognizant of the fact that even in California, where we do have the equalization program—we've had it for a long time—that it costs a lot more to educate a child in a district such as the one that I represent than it does to educate a child in Beverly Hills. A school has to, in a sense, become a second family to the child, if the child is thoroughly disadvantaged because of poverty and drug abuse and other problems related to the low income areas. Those children need a lot more.

Now, if that were the type of inequity that we had built into the system, it would seem to me that would provide more equity. However, I think we're being very conservative in this proposal, in that we do not take note of that and are simply providing that, if you compel a child to go to school, the child should be given the same opportunity, regardless of where that child lives.

Would you be inclined to say that such inequity might be fairer than even the conservative proposal we have before us?

Mr. **WISE**. Absolutely, sir. It seems, by inadvertence, given the peculiar organization of education that we have in America, that we have designed a system that does exactly what we should not be doing, which is to reinforce the advantages that people come to school with. It seems to me it's a minimal obligation on the part of government to treat all youngsters equitably and fairly, and certainly in many cases that means going beyond some adequate level of resources to provide for the special needs that some youngsters come to school with. So I certainly agree with you, sir.

Chairman **HAWKINS**. Dr. Jordan, may I inquire of you as to whether or not you have copies of the charts which you have used this morning?

Dr. **JORDAN**. Yes, sir. They're in the appendix to the testimony.

Chairman **HAWKINS**. Thank you.

Mr. Goodling.

Mr. **GOODLING**. Thank you, Mr. Chairman.

As I indicated in my opening statement, I want to make sure that—if there's any way we can help to improve the situation, we would do it—but I want to make sure that we understand what we're doing.

Dr. Jordan, you say that one caution in comparing these data with equity standards in the Fair Chance Act is that these revenues per pupil are gross amounts per pupil and have not been adjusted for the incidence of high cost pupils, sparcity, and so on. I'm wondering how we get the data that we need to really understand how much disparity there is. You used Alaska, for instance, I think that in one district you were talking, I believe you were talking about airplane travel costs, and boarding school costs as very expensive. In Wisconsin I noticed they seem to have a three to one disparity but yet their State formula is equalized under the impact aid regulations, which the bill would encourage. So we have a problem in that way also.

In Pennsylvania—we've had an equalization formula for a long, long time. Some people thought it was pretty good. Looking at those two districts, I would imagine the one district receives probably about 68 percent of all of its aid from the State. I would imagine the other district receives about 10 or 12 percent from the State.

What can we do from the Federal level to make sure that we are doing what the Chairman wants to do, moving expenditure up to the higher per pupil expenditure rather than moving down? I can see, if the State tries to reverse some of the things they are doing, they are going to be moving perhaps down to the lowest funded school district rather than up.

Dr. Jordan. Mr. Goodling, the history of school finance "reform" in the last two decades probably indicates there's much more of a leveling up than a leveling down, just because it's subject to the vagaries of the State legislature and the political compromises that emerge there.

To go back and respond specifically to a couple of your concerns, the cost factors are quite often used in State aid formulas, and so if one is familiar with the State aid formula, then one can do an analysis of that and then back out the funds that are attributable to special circumstances, or to high cost kids, or the sparsity, those types of things. The Alaska situation is a very unique kind of situation that would require much more detailed analysis.

Dr. Wise indicated that the time may be upon us for a comprehensive study of school finance again. It is an inevitable result of the bill, as you look at the Secretary having to review and make a determination about the relative quality of the State aid formulas.

To address the Wisconsin situation, the Wisconsin situation is illustrative of the different types of equity measures. The charts show an expenditure disparity, and that means that your goal is to reduce the differences in spending among students. But the other wealth measure, and the one that Wisconsin uses to qualify under impact aid, is the wealth neutrality concept. Under the wealth neutrality concept, it is equal yield for equal effort of tax rates. So under wealth neutrality, inevitably one can predict that you will have expenditure disparity. What you do with that is you analyze the aggregate data for the State and then you determine the proportion of those funds which are "wealth neutral." It's a very complicated and involved process. It didn't realize how complicated and involved it was until I went to Arizona, also a State that has been determined to be wealth neutral. I worked with the State agency there with the formula.

But the key factor is the wealth neutrality assumes dispartiy, and it incorporates the concept of choice and people at the local level being able to determine the level of funding that they want for their children. In other words, it does not seek uniformity. Revenue disparity seeks uniformity. So the two standards are quite different in what they're designed to do.

Mr. Goodling. So we have to be very, very careful with what data we use.

Dr. Jordan. You have to be careful with the data that one uses, and then it takes a level of detailed analysis which goes beyond what the Census Bureau has, in terms of studies of individual States. One has to be familiar with the school finance formulas in the given State, how they have accommodated the program.

It is really two kinds of things. We have a tradition of governance in which you have local control. But education is a function of the State level of government. By virtue of that—and this is what the courts are continuing to say—in the design and implementation of school finance programs, the State has an equal responsibility for each student in that State. So this is where the concept of adequacy emerges, even with the concept of choice, under the revenue dispartiy. Then one must be concerned about adequacies to make sure that the level of funding is sufficient for all children in the State. You still have diversity, but the State has this responsibility. So in the review, that is one of the kinds of things that needs to be looked at very carefully.

Chairman **Hawkins**. Mr. Sawyer.

Mr. **Sawyer**. Thank you, Mr. Chairman.

Let me follow on with a point that I think Mr. Goodling began with. Dr. Wise, you spoke in terms of the moral and the legal responsibility we all have to achieve a measure of equity. Assuming that we can measure that adequately across this enormous number of decision-making bodies, some 16–17,000 of them, how does that responsibility, in your view, distribute itself among the localities, the States, and those of us who must look across the breadth of an entire nation to assure adequacy and equity?

Mr. **Wise**. Certainly education, under our system of government, is primarily a State responsibility. Therefore, the burden falls upon the State in the first instance to try to provide equality of educational opportunity to its students. Certainly, if we are to have a national bill of this sort, we need to have a national study to precede it in order for us to know exactly how to proceed. I think we are operating with somewhat crude measures at the present time. But then the question really is what it the role for the Federal Government, what role for the State governments, what role for the local governments.

Legally speaking, the responsibility is one the State. The States have allowed a degree of inequality to grow within their borders. A number of State courts have now directed the State legislatures to equalize educational spending within those States, and this year alone, decisions have come down in Texas, Montana and Kentucky.

The State is free, within its prerogatives, to decide how to finance public education. For a long time, the primary basis for financing public education was the local property tax. By relying upon the local property tax, you end up with dramatic inequalities from district to district based upon local property taxes. The State has, within its power, to continue to levy property taxes. The State also can decide to what extent it wishes to use State sales tax revenues, State income tax revenues, or other State revenues, in order to equalize educational opportunity within its borders.

I take it that the purpose of this law, the Fair Chance Act, would be to encourage States to do the right thing. It is very hard for States to do the right thing. That is why the courts have had to come into the picture, and that is why, I think, there is a basis for the Federal Government also coming into the picture. Legislative politics at the State level simply do not operate in a way that provides equality of educational opportunity. Outside instruments are necessary to prod states to do the right thing—on the one hand, State courts, and on the other hand, perhaps a national bill.

Mr. **Sawyer**. Dr. Jordan?

Dr. **Jordan**. I don't think I could add anything further, thank you.

Mr. **Sawyer**. Thank you, Mr. Chairman.

Chairman **Hawkins**. Mr. Smith.

Mr. **Smith**. Thank you, Mr. Chairman.

Dr. Jordan, could you take me again, just briefly, through the methodology you used to come by these numbers? No, I don't want to look at the numbers again. I've got the charts. But what is your source?

Dr. **Jordan**. The source is the Bureau of Census, a government survey. CRS has the basic data, has the basic data tape. Dr. Wise and I were provided with a printout prior to the hearing, so that we can analyze it. (See Appendix 1.)

What I did in these, which is different from a memo which you may have from CRS, I kicked out—being in Arizona and not being in Washington, not really conferring with my former colleagues at CRS on the issue—I kicked out the school districts which had fewer than 100 pupils at each end of the continuum, and I only took unit districts, only K-12 districts, except in the State of Montana. There, I took both elementary and high school districts.

Excluding those—they were rank ordered by expenditure, as reported by the Census. Granted, there may be problems with the data. But the data on the aggregate I think illustrates that there is terrific disparity among school districts within the States. So I excluded those that had fewer than a hundred at the high and low spending ends. That basically is it.

There is always the problem that the data comes from 16,000 sources. The audit checks and those kinds of things are continuing kinds of problems and issues with this. So there is a continuing need for more refinement and better improvement in the data reporting process. People at the local level submit the data, and as you have found after having seen this, then when you go back, they explain to you that they didn't really do what everybody else thought they were doing on occasion because of backing out certain types of—So the explanation and the detail have to be very carefully done.

Mr. **Smith**. I would concur.

I have to tell you that I am deeply concerned that we would see the wholesale use of data, that it was convenient in its accessibility, to make a general point, which I think is a very valid point that we can make very easily without this kind of distortion. I can't tell you the sort of feeling it leaves me with in the pit of my stomach as I then look at the other States, trying to understand the real dimensions of this problem. It is a very serious problem. It's a problem in Vermont—I don't deny that for a minute—to see people who, with all due respect, should know better, bringing data in here to make a point. Why don't you just bring in a bat and smash the table. The fact of the matter is we have a school financing equity problem in this country.

I am concerned that you would let the Alaskan data ride, knowing that there's a residential school for rural, poor populations that is very high cost, without telling us that. To me, that's a kind of distortion, frankly, which doesn't help us make informed quality decisions.

Now, one other question. What do you think the impact in a rich school district is, a low aid district, if you are an indigenous landowner who owns two acres, and a house which you have received from your parents and you earn $25,000 a year and you have fairly low property taxes and don't pay much aid. If this kind of a thing goes in, what happens, on balance, across the country to those people?

Dr. **Jordan**. You're talking about the single family residence?

Mr. **Smith**. I'm talking about the kind of person you don't want to be in Vermont, which is a middle or low income person in a rich school district. You get hammered every time you turn around.

Dr. **Jordan**. But who also happens to live in a house that has a relatively high value. What you have focused on is one of the complexities in the school finance area, and that is——

Mr. **Smith**. Excuse me. It's a disaster for a lot of people. Excuse me.

Dr. **Jordan**. The complexities relate to the measure of wealth. The traditional measure of wealth and the one you're talking about is assessed value of real property.

Mr. **Smith**. Yes, sir.

Dr. **Jordan**. There are other measures of wealth which can be used in a State school finance formula. You can mix property and income together. In that sense, you begin to make some adjustments in terms of the burden which falls on the individuals in those school districts where there is low wealth. One can also, as I'm sure you're familiar, put circuit breakers into a property tax situation where that low income person has his or her tax burden reduced in proportion to the relative income which they have. So again, it illustrates what we've talked about here.

What I referred to was the complexities related to the differences in student need, or the differences in expenditure levels. But on the revenue side, there are also "bells and whistles" that one can put in to adjust for the inequities which are there.

Mr. **Smith**. I would only say that within those complexities are people's lives. What we have seen, despite our best attempts, in too many places, is where we, in fact, create exactly the opposite. We polarize communities in terms of SES; we drive indigenous and lower income people into other communities and into trailer parks, which is the way it leads out in rural America, or in my part of rural America, and create enclaves of the wealthy, where more wealthy move, because of the way we fund education. You end up with a level financial playing field, but you don't end up with all people together in schools learning from each other as well as from their teachers.

I appreciate what you're saying, but unless we're going to write a financial aid formula for the entire country, with all those little quirks in it, we need to be very sensitive to what we're giving up and what we're gaining. It is a perverse situation we face, and I want to make sure the solution is, in fact, socially not more perverse. I have seen too much of that.

Excuse me. I yield.

Chairman **Hawkins**. I think the gentleman is nitpicking now. I guess that's what has happened in the Eighties, that we forgot what we did in the Seventies. This issue has been buried for almost a a decade and it needs to be rescued, I think.

I don't know of any State that is maintaining that it's pure in this connection. It may differ over the method to correct it. But I am optimistic enough to feel that, if we want to do it, we can do it. The time has come to begin to to do it and not say it's an impossible job. That's the political answer. I realize we're going to get some discrepancies even in the most ideal situation, but to defend inequality by saying that it's a difficult job to get the data, to me, is simply continuing the inequity and moralizing it as being the right way of doing things.

This bill is obviously far from being perfect. I don't expect it to pass out of this committee and Congress the day after tomorrow, but I would hope that we look at it from the viewpoint of discussing how we can improve and reach the situation. I think we have waited too long. If we can only agree to reasonably discuss this thing among each other, without accusing anyone of distorting the data, then I think we probably can get some place.

But the chair is open for any suggestions from the Members, and anyone who wishes to join in coauthoring the bill to really advance it is welcome to do so.

Mr. Poshard is next.

Mr. Poshard. Thank you, Mr. Chairman.

I am not as much worried about the data as I am understanding perhaps some of the practical aspects of the bill, since most or at least many of the States in this country still depend upon the local property taxes, the one part of the formula that drives aid to students. I am trying to understand this.

For instance, in the State of Illinois, two basic things enter into the financial formula: the equalized assessed valuation and the per pupil attendance. Are you advocating that the only way we're going to reach equity in school financing is by going away from the property tax toward the individual income tax? Let me give you my reasoning behind that.

If I live in the suburbs of Chicago, as a county board member, maybe 12 percent of the local property taxes that I assess a large number of people who are very wealthy go towards the local school districts. But that enables them to maybe fund their school at seven times the rate than if I am a county board member in a rural school district in southern Illinois, who has to spend 68 to 70 percent of the local property taxes on the school system and then is left with maybe 30 percent at most to run the police force, the airport authority, the fire stations and all the other kinds of things that county boards have to contend with.

Now, are we saying, then, by virtue of bringing equity to financing, that we're going to tell the people in the suburbs you can't spend as much money as you're spending now on your schools, even though its a smaller percent of your local property tax base, that we as the State or we as the Federal Government are now going to say you can't base financing either on local property taxes in order to bring equity or we're going to control what portion of local property taxes can be spent upon education? I'm just trying to understand the practical outworkings here, because I agree with the intent and the purpose. I'm just trying to say are we going away from the whole system as it presently exists, in your judgment, both of you.

Mr. Wise. In Illinois, around 1973, the legislature passed a law which, from 1973 to about 1980, moved the State in what I would regard as the proper direction, namely, toward greater and greater equalization of school support. Starting around 1980—and I can't give you the details; it's been well documented—Illinois began to move further and further away from the goal of equalization of school support.

In practical terms, I would not advocate moving away from the local property tax. I believe that the local property tax can continue to be a basis for support of public education. But what it almost certainly means is that we need to rely to a greater and greater extent on State taxes, whatever State taxes any particular State may choose to have.

Mr. **Poshard**. Okay. Can I interrupt you for one second, please, because I need you to answer my question directly.

If we're not going away from the local property tax base, if we're leaving it up to the local people to decide how much they want to spend on education, then if you change everything to get more State moneys into the poor districts, what prevents the more wealthy districts from just saying "okay, instead of 12 percent, we're going to devote 15 percent of our local property tax base to education." You still have the disparity, even though it may be at a different level.

Mr. **Wise**. If I may, sir, I will answer your question straightforwardly. If the goal of a State, or the goal of the Fair Chance Act is to promote the equalization of school support, then limits must be put on the power of local voters to decide to tax themselves extra to support the schools.

I made reference to the State of California, which pretty much now has an equalized support system, where folks in the wealthier districts have complained for the last ten years about the fact that they can no longer spend as much as they want to and have regarded that as an abridgment of their freedoms of some sort.

California is now in a unique posture. California is in a posture of being able to decide now, as a State, how much it values the support of public education. That means that the education-minded parents, who are typically the wealthier parents, who are typically themselves more educated, are the ones who are going to lead the forces to lobby the State legislature to bring the overall level of support for education in the State of California up. But it certainly means that Beverly Hills no longer has the discretion to tax itself for its own benefit in a way that it used to.

Mr. **Poshard**. Again, I agree with the purpose and intent of the bill, Mr. Chairman. I think the sticky wicket is going to be how we, at either the Federal or State level, are going to tell local people you can't spend any more than this, regardless of what you want, of your own local property taxes on your schools.

The second thing is, if we do that in the suburbs—and I represent a poor rural district—I know what the extended argument will be. If you're going to tell us that we can't spend any more than a certain percentage of our property taxes in the suburbs on education, then, doggone it, you guys downstate or in the rural areas had better well get all your districts consolidated to a certain level to ensure the most cost-effective, cost-efficient system that you possibly can. And don't give me any more of these 100 kid school districts, because that's a waste of taxpayer's money, too. So the rurals are going to answer up and the more poverty stricken school districts, especially in the rural areas, are going to be looking at a lot of changes on the other end of the continuum if, in fact, we go to some system of mandating what people in the suburbs and wealthier districts must do in terms of financing their children's education.

Chairman **Hawkins**. I would just like to remind the gentleman that the bill doesn't do that. If you read——

Mr. **Poshard**. I know, Mr. Chairman.

Chairman **Hawkins**. I agree with what you have said. I am just simply saying that to say that at this time is misleading. I just want to correct that at the very beginning. If the bill did that, then obviously we should do something to correct it. We are not doing that in the bill itself and I just don't want that to be projected as being what is behind the bill. We are not saying to anyone that you can't tax yourself to provide something extra. We're not saying that at all.

Mr. **Poshard**. I understand, Mr. Chairman. But I thought part of the gentleman's answer was that yes, we may come to that.

Chairman **Hawkins**. Well, he is responding to what, theoretically, may happen. As you know, anything may happen. This committee has control over the bill, and the idea is to equalize and "equalize up" and certainly not to restrict any efforts to raise revenues for education. If areas decide to spend something extra in some way, that obviously is not prohibited under the bill. That's not the intent of the bill itself.

I think some of us are making a complex problem out of a very simple, little bill. We're just trying to get some money in to equalize things. The data may not be altogether correct. We have indicated there may be some discrepancies in the data that the CRS has given to us. (See Appendix 1.) If so, we will correct any discrepancies. But don't go off on a witch hunt now and keep us from doing something constructive.

I am not in any way correcting the gentleman. I am simply saying that I believe that the bill does not do what has been suggested. If it does, we will doing something about that problem.

Mr. Petri.

Mr. **Petri**. Thank you, Mr. Chairman.

I appreciate your having the hearing today. It is raising a very important subject. As I listen to the testimony and the questions, I have to ask the question: Is the goal of this exercise the equalization of school support, or is the equalization of school support the means to achieve some other goal, in your opinion? Is it good in itself to have equal inputs into education, or is that viewed as a means to some other end, and if so, what end? If not, why not?

Mr. **Wise**. Certainly, to my way of thinking, sir, it is a means to an end. The end is the best possible education of every child in this land. Unfortunately——

Mr. **Petri**. Good. Excuse me for interrupting, but we're only allowed five minutes and I would like to ask some follow-up questions.

If that's the case, if we want to improve output—that is, we want to improve the educational performance and ability of graduates to be productive members of society and contributors to our democratic way of life—then you indicated in your testimony, I believe, that a number of States had moved prior to about 1980 in the direction of various equalization, and then they've been moving away from it since then.

Has any data been compiled to indicate an improvement in the outputs—that is to say, student performance in districts that were benefited by these State movements during that period? If so, could you point us to that?

Mr. **Wise**. No, sir, I know of no studies of educational outcomes in the sense that you mean it. But I would expect that these changes would only occur over time, and the time has not been sufficient in those States. Only California has had any degree of stability in this regard.

Mr. **Petri**. Well, it has been done in a lot of States, and it seems to me, before opening up all the thickets that Mr. Smith and others pointed out, if the idea is to improve the performance of students, and if it has, in fact, been done, over many years, in States like Wisconsin and other States, that before we seriously consider legislation, we ought to find out if it has made any difference anywhere, and if so, to whom.

Thank you, Mr. Chairman.

Chairman **Hawkins**. I think the gentleman should understand that, according to the National Assessment of Educational Progress, Chapter 1, for example, has had some positive results, where the money was put out. Head Start has been studied for 20 years, and every report has indicated that it has made a difference. But we provided funding for serving only 18 percent. If it made a difference for 18 percent of the eligible children, then spending money for the other 82 percent, one would reasonably conclude, might have a payoff. So there are studies.

Mr. **Petri**. It is clear that spending more money sometimes makes a difference, but it is not at all clear that Federal mandates on the way States and localities collect money and finance education are going to be a net plus. If we can't even show gains when State governments mandated or interfered with the way local school districts finance their education, what is there to lead us to believe that——

Chairman **Hawkins**. We are only concerned about Federal money. We're not concerned about State money. What we are saying is that if we provide Federal money to States and the States use those Federal dollars to reduce State funding, that creates an inequity. That should not be done. I think you would probably agree with that. That was the original intent, when we started in 1965, Federal aid to education. If it results in the States not doing as much as they should do merely because Federal money is available, then that's wrong.

Now, if we can attempt to correct that in some way—and I'm not so sure this proposal completely does it—that's the intent. I am only saying that's the intent.

Mr. **Petri**. I agree.

Chairman **Hawkins**. If anybody has any better idea——

Mr. **Petri**. I would argue, Mr. Chairman, that it might make sense to try to pick the stick up at the other end; that is to say, rather than working on equal inputs, if we looked at what worked to improve outputs and tried to encourage that and help fund that, we might help more kids than fooling around with the input formulas.

Chairman **HAWKINS**. Well, let's begin at the other end. Do budget cuts help improve academic performance?

Mr. **PETRI**. It all depends on the situation.

Chairman **HAWKINS**. Okay. Then that's a defense of the administration, which has been cutting education funding during the decade of the Eighties. That's why we have reports that attempt to back that up. (See Appendix 2.)

If you say that money doesn't matter, then I hope you tell your wife that money doesn't matter.

Mr. **GOODLING**. Now, Mr. Chairman, you have to get me in on that, because it was the Congress of the United States that made all the financial decisions during the Eighties, no one else.

Chairman **HAWKINS**. Well, the fact is that the only progress that has been made around here in the academic performance of children has been due to the Federal assistance programs, such as Chapter 1 and Head Start. Those are the only children that have demonstrated any progress.

Now, it is reasonable to conclude that probably the money did make a difference. In my book, however, if you're going to pay teachers, if you're going to provide special counsels, if you're going to provide nutrition and these things, they cost money. Just like weapons cost money. Why is it we say we can spend money on weapons, don't worry, and no new taxes? Then when it comes down to education, we won't even take a chance. Some of you don't want to risk the chance of spending something to help children out.

Mr. **GOODLING**. Mr. Chairman, I'm a 2 to 1 minority and I couldn't make the difference regarding those decisions during the Eighties. You were in the majority.

Chairman **HAWKINS**. I'll have to go down the list of Members to determine who is next. I have lost track of who came in when.

Mr. Payne. Mr. Hayes doesn't seek recognition right now anyway.

Mr. **PAYNE**. Maybe we had better shift it down here. We don't want anything to disrupt our Chairman.

I really don't have any specific questions, although it is amazing, almost amusing, that there are certain times when dollars are discussed in a way that they are unimportant. As the Chairman said, in certain instances it doesn't take money to improve a situation, but in a lot of other instances we rely on the normal American way, and find that dollars tend to bring about improvements, and once you build up or clean up or fix up, things work better. But, when it comes to things like education or social programs, sometimes we have a different philosophy.

I just want to generally say that I appreciate the Chairman for introducing this legislation and offering this opportunity to engage in some public debate on the way and manner that States fund public schools. The witnesses have been very interesting and I look forward to the next panel, particularly the fact that there is a New Jersey person, Miss Morheuser, who will be testifying. I am very interested in what she will have to say, because just two days ago I had a meeting in my district with each of the superintendents of the school districts in the Tenth District of New Jersey. The superintendents are asking for assistance. They want to see Federal initiatives that assist the poorer districts. There was a consensus that children can learn regardless of color or race or economic circumstance.

But it is difficult, when you have overcrowded classrooms, underpaid teachers, outdated and limited numbers of textbooks and a lack of technology and laboratory equipment. As a matter of fact, for those who would like to argue that levels of finance has no effect, we would like to suggest that we have a system of transferring students to the poorer districts and let the poor students go to the other districts, just to see how the brighter students would make out when they attempt to learn chemistry without Bunsen burners or library skills with makeshift libraries without the guidance of a librarian, or the possibility of trying to deal with the whole question of probabilities without computers.

So, I believe that it is a fact that we need to equalize the financing system so that the poorer districts are better able to finance education. It is true that there are good schools in poor districts and poor schools, educationally, in wealthy districts. But I believe there is some correlation between the amount of financial input and the quality of education offered.

Our national illiteracy problem is growing by leaps and bounds. Many illiterates are adults, but many are high school graduates who are coming out functionally illiterate. Unless we straighten out this discrepancy in our educational system, we certainly will not be able to compete with the European Economic Community in '92 and the new Eastern European thrust in industrialization in the year 2000. We will continue to have a balance-of-trade deficit. So I think this is more important than anything else in the country at this time.

I just had those general comments and look forward to the next witnesses. Thank you, Mr. Chairman.

Chairman **HAWKINS**. Mr. Hayes.

Mr. **HAYES**. Mr. Chairman, I just want to make a very brief statement.

I am very supportive of H.R. 3850. It doesn't, in my opinion, go far enough. It is a good beginning to correct an equity that we know exists in the distribution of funds. Particularly in my State of Illinois, as was pointed out, it is one of the States where much more money is spent in some districts over others. We are in the process of going through some reform of the educational system, which has become highly political, as to how it is to be done, as you might expect.

But I would like the opportunity, Mr. Chairman, to—You need to monitor the way the Federal funds are now being spent. They are not going in a way they should be going. It is an abuse and a misuse of people's own knowledge of what has happened, to keep them deprived from knowing how the money is being spent on education.

Just as the lottery systems exist in the States, particularly the State of Illinois, to get that passed into law, they had to have the support of the General Assembly, which they did. They set up a special amount of that money to be used for education. After a few years now, that has been transferred over into the general revenue fund and nobody knows how much is going for education.

So it is with Federal funds. I think we need to have a system where the Federal Government monitors the amount of money they send to each State and see how much is going actually for education and how it's divided. This bill doesn't go that far, but at least it's a beginning of what I see is the right direction.

I happen to represent a district that's on the lower end of the totem pole when it comes to getting money. Most of the school districts in my congressional district are African-Americans, 92 percent, and who cares whether or not they really get money to get an education, so you can prepare these kids for life. This is the thing that disturbs me. It's a waste to do as we are doing now. A kid ought to have some way to become something more than a janitor when they finish school. They have a right in the poor districts to aspire to be an astronaut. But who cares? I may be using extremes, but these are the kinds of things that I think this bill will begin to correct this inequity that exists today.

I want to compliment you for your position. I think it's correct. I know you're going to get some jabs. We get it in other areas of child care and everything else when we pursue these courses to bring about equity when it comes to the treatment of our kids. But this is our future and I think we ought to begin to correct these wrongs. I think you're on the right course and I support this kind of legislation. I think I understood you both support it.

Chairman **Hawkins**. Mr. Perkins.

Mr. **Perkins**. Thank you, Mr. Chairman.

First of all, I would like to say hello to all my colleagues and all the staff. I hope you had a happy new year. It's good to see you. It's always a pleasure once again to be here.

I think it is a very appropriate thing to start this new year off with a piece of legislation that is attempting to raise the question of how the American student, in all areas of the country, is going to be treated. This is the beginning of the dialogue. It is not the end. This is just the initiation of the process.

With that, just in terms of a few of the practical questions, I would like to turn to the panel. First of all, I would like to welcome certainly Mr. Jordan. He decided to go out to Arizona and let those bones get baked by that warm sun and we don't have the chance to work with him around here as we have for a long period of time. Forbis, it's good to have you back with us. And, of course, Mr. Wise.

First of all, is five years a reasonable amount of time to allow for the mandated change to occur? Is it too long, too short? Let's say States have from January 1, 1991 to January 1, 1996 before suspension of Federal education occurs. Is that period of time reasonable?

Dr. **Jordan**. Yes, Mr. Perkins. The period of time may seem long, but in terms of State legislatures having to review their revenue-raising side of the formula, as well as the other side, to reach the standard as stated in the proposed bill, one needs that long, and especially in those States where legislatures don't meet on an annual basis, where it's a biannual budget.

It seems like a long time, but the real issue is steady progress, rather than saying we'll look at you five years down the road. It is moving toward equalization because it is quite often a costly process, costly in terms of money as well as costly in terms of moving humans along in order to get the job done. As you know, in Kentucky, at the moment, you're relooking a system in the process.

Mr. **Perkins.** Well, I'm concerned about seeing—Again, we're just beginning to look at it. I know Bill Goodling and I were talking about this a little while ago. The formulas that we're beginning to look at here, the impact aid formulas, for example, do they go towards achieving what we think needs to be achieved by this bill?

Dr. **Jordan.** In terms of the two equity measures that are in the formula, one is oriented toward equal spending. The other accommodates a much different concept, which is equal yield for equal effort.

Mr. **Perkins.** Right.

Dr. **Jordan.** In that sense, if one recognizes the differences in philosophy and differences in values among the States, providing that concept of choice is a reasonable kind of thing to do.

Now, the issue is to ensure that there is a continuing concern about an inadequate level of funding.

Mr. **Perkins.** As I'm taking your comments, you're saying that, in essence, we're going to have to tinker with the thing a little bit, that we're going to have to start out, get something in place, see how it works, tinker with it in a couple of legislatures, and maybe after five years we will have arrived at something that seems to work efficiently enough for us to be satisfied from the Federal level; is that correct?

Mr. **Wise.** Yes, sir. I would say that five years is certainly in the neighborhood of what it will take to implement this bill in a practical way.

There have been a number of questions raised about the data and about the meaning of equalization. I think it will take some time to gather data anew and create a data system that will not result in some of the kinds of very real questions that have been raised here this morning. That is an effort that will need to be undertaken to get this thing going, as well as working in an iterative way with the legislatures. It's an iterative process for sure.

Mr. **Perkins.** During the course of your research, have you had a chance to try to figure out how many States are going to be impacted by this legislation?

Dr. **Jordan.** No. As was mentioned earlier, there are underlying pieces of information to these data which will be needed in order to make that determination. There are some States—There are only seven States that meet the current impact aid standards. But that is a voluntary act on the part of the State to choose to do that. The arm chair review would say there are several other States which could make that choice, but they have chosen not to for a variety of reasons.

Minnesota, a few years ago, came close to deciding to, but because of the political fallout with the legislature, they backed off and decided not to do that.

Mr. **Perkins.** In essence, what you're saying is, that the ramification is that 43 States have not, and seven other States, we question the exact extent of that. This bill, if it finally arrives in the bill form that we hope it does, indeed, is going to be something that is a comprehensive change in the Nation's educational system.

Dr. **JORDAN**. Yes, sir.

Mr. **WISE**. Yes, sir. It would affect virtually every State in quite dramatic ways.

Mr. **PERKINS**. Again, I want to thank the witnesses. I don't want to beat these two fine gentlemen over the head and I will let Forbis return once again to his sun-baked existence out in Arizona. It is good to see you.

Thank you, Mr. Chairman.

Chairman **HAWKINS**. Mr. Gunderson.

Mr. **GUNDERSON**. No questions.

Chairman **HAWKINS**. Mr. Owens.

Mr. **OWENS**. Mr. Chairman, I don't want to be redundant in my remarks, but I want to congratulate you on this monumental step forward that this bill, just by its introduction, will take in terms of shaping the debate on educational reform.

It's like the little boy in the Hans Christian Andersen fairy tale saying that the emperor has no clothes on; he's naked. The Governors conferences and the President want to go forward and talk about educational reform without addressing this very basic issue. We see tests which compare the scores of children in the inner cities and children of various minority groups with other children and we don't want to talk about the inequities in the kind of resources that are being provided for the education of those children.

I think that most educators, certainly most educators and administrators in the country, and practically all the legislators in the country, understand very well what you're talking about. There will be no difficulty in understanding the intellectual content of this bill and what the thrust of it is. The problem is that it's a moral confrontation with the policymakers in the country.

Certainly in the State of New York there has been an effort over the years to engineer this inequality and to keep the inequality going. We have "hold harmless" clauses which guarantee that school districts never get less than they got the previous year. That started around 20 years ago. So school districts, which have very different educational needs now, are getting the kind of money they were getting 20 years ago under the hold harmless clause.

Then we have the formula which says that State aid should be distributed on the basis of attendance instead of enrollment. It once was enrollment. As the racial composition of the schools in New York City changed, they moved to attendance. When you distribute State aid in accordance with attendance, the numbers are much different, much lower, for New York City than they would be on the basis of enrollment. Of course, the constitution of New York State says the State is responsible for the education of all youngsters on a per capita basis. Every youngster in New York State has the right to equal assistance from the State. So we ought to have formulas which talk about per capita, not enrollment and not attendance. So there is a lot of work to be done in terms of honesty, in terms of ending the discrimination in State aid formulas, without getting into the complexities of what you do about local initiatives and local efforts.

In New York, the problem is just basic State aid, how State aid is distributed. Let's deal with that first and stop the discrimination there. I suspect in most of the other States with big cities and large minority populations you will find the same pattern, where the legislators have engineered a system where, for political reasons, for reasons of greed, for reasons of abuse of political power, those who have the most power get the biggest slice of the pie, regardless of where the need is.

The Federal Government does have a role to play here. We should insist there be no discrimination in those States which are receiving Federal aid. That's what it should come down to. I think it is quite generous of the bill to allow for a five-year period and let us go through a long process of looking at something in which most people who are involved—educators and legislators—know very well what is going on. They know very well what the inequity is.

So I congratulate you, Mr. Chairman, on the introduction of a monumental bill which will lead to, I hope, truth in debate and truth in this whole process of educational reform. We need a little more truth as we move to deal with trying to make the educational systems across the country measure up to the needs of the country, the needs of national security and the needs of where we will be going in the 21st century. That means we have to stop giving less to those who have the greatest need, so that they can get an education which will allow them to contribute to the advance of the Nation.

Thank you very much.

Chairman **Hawkins**. On that positive note, we will close out the first panel. Dr. Wise and Dr. Jordan, you have been very helpful to us and we appreciate it. You see what you have started and we hope you will be proud of the product once it's finished. Thank you very much.

Mr. **Wise**. Thank you, Mr. Chairman.

Dr. **Jordan**. Thank you.

Chairman **Hawkins**. The next panel consists of the Honorable Bert Combs, former Governor, Commonwealth of Kentucky. I will not say anything further. I will call on my dear friend to introduce the Governor in time. Ms. Marilyn Morheuser, Executive Director, Education Law Center, and Mr. Albert Kauffman, senior litigation attorney, Mexican-American Legal Defense and Educational Fund. Would those witnesses please be seated at the witness table.

We will again indicate that their prepared statements will be entered in the record in their entirety. We hope that the witnesses will then deal with the highlights of their testimony.

For the purpose of introducing one of the distinguished witnesses, I would like to defer to my colleague from Kentucky, Mr. Perkins.

Mr. **Perkins**. Thank you, Mr. Chairman. Indeed, this is a treat for me today, to have the opportunity to introduce a man that has been important not only for the State of Kentucky but, in my great interest, he has been important for eastern Kentucky. He is the last Governor that we were privileged to have from my area of the State. He has been a man who has made a tremendous difference in the quality of life in the Commonwealth of Kentucky. He is both a Democrat and he comes from the same part of the Democratic

Party that I come from. He is a personal and political friend of my family, my father and myself. In fact, his son-in-law was my law partner before I came to Washington. He married above his head here recently, a few years ago, Mary over there, a lovely lady.

I introduce to you a man who really should be talking today, because when we started this process here in Washington, Bert Combs, fighting for the people of Kentucky, introduced to the Supreme Court of the State of Kentucky a suit that eventually declared Kentucky's system of education unconstitutional. Today, the Kentucky General Assembly is trying to come to grips with the equalization question that we're talking about today, so indeed, he should be someone that should be holding this discussion. When I saw this was happening, I was very, very insistent that we try to get Governor Combs to be with us. I am very pleased that he is with us today.

Chairman HAWKINS. Thank you.

Before you proceed, Governor, our ranking minority member would like to comment at this time. Mr. Goodling.

Mr. GOODLING. Only in that I must be at a Budget Committee meeting, Governor, in about two minutes. I wanted to tell you that I agree wholeheartedly with the first seven words of your last paragraph, and also with the last sentence of your last paragraph. In between that I must tell you what I said to this young lawyer who is sitting next to me. I said, "You damned lawyers, you put language in here to make sure you have a job." I was having trouble figuring out the level of constitutional efficiency and I thought, boy, that would give you lawyers lots of fun in court if we determine that all over the United States.

Mr. COMBS. Well, I hope to speak to that point.

Mr. GOODLING. And this young lawyer will tell me what you said.

Chairman HAWKINS. You have accomplished a lot already, getting him to agree with seven words.

[Laughter.]

STATEMENTS OF HON. BERT T. COMBS, FORMER GOVERNOR, COMMONWEALTH OF KENTUCKY; MARILYN MORHEUSER, EXECUTIVE DIRECTOR, EDUCATION LAW CENTER, INC.; AND ALBERT H. KAUFFMAN, SENIOR LITIGATION ATTORNEY, MEXICAN AMERICAN LEGAL DEFENSE AND EDUCATIONAL FUND [MALDEF]

Mr. COMBS. Thank you, Mr. Chairman, members of the committee.

I want to thank you, Chris, for your very complimentary remarks. It is a pleasure for me, not only to appear before this committee, but to appear before a committee on which Chris Perkins sits. I was very close to his father. We started practicing law together in eastern Kentucky a long time ago, and we remained close, both personally and politically, until his death.

We have recently had litigation in the Supreme Court of Kentucky involving the question of what is necessary for a constitutional system of schools at the State level, particularly as to two points. One, equality between districts, or the degree of equality that is necessary, and number two, adequacy across the board throughout the whole system.

As Chris mentioned, I was counsel for some school districts, parents and children, who filed this litigation and alleged that the school system in Kentucky was unconstitutional. The suit was based on this provision of the Kentucky Constitution, and also on the 14th Amendment to the Federal Constitution. Section 183 of the Kentucky Constitution provides "The General Assembly shall, by appropriate legislation, provide for an efficient system of common schools throughout the State." Many States, at least several States that I know of, have comparable language, the word being "efficient" usually.

The word "efficient" is a word of art, as the courts have held. It means, in this context, as being adequate or sufficient for its purpose. Obviously, the purpose is to educate or give an opportunity for education to an average kid in this country, to obtain an adequate education, and for what it's worth, Mr. Chairman, the Supreme Court of Kentucky has defined what an efficient system is, or what is necessary to constitute an efficient system within the meaning of the constitution.

So the two important allegations in the litigation were that the system in Kentucky lacks uniformity and equality as between districts, and that the whole system, or at least a majority of the system, is inadequate to constitute a system which provides an opportunity for an average kid to receive the sort of education that is necessary for him to be a good citizen and compete in our society.

The first question that the court asked was, is education a fundamental right. They held that it is a fundamental right under the Kentucky Constitution, which says that an efficient system shall be provided throughout the State.

I would agree—and I might as well get that behind me now—that there is nothing in the Federal Constitution, as you know, about education. So as I see it, the way your committee mainly reaches this problem is under the 14th Amendment. There are other sections that come close, but it is certainly under the 14th Amendment, equal protection of the law. That does make it a Federal question.

We took voluminous proof, with innumerable exhibits and extensive briefs and oral arguments. The overall effect of the plaintiff's evidence was that Kentucky's system of common schools is underfunded and inadequate, and particularly that it is not uniform among the districts in educational opportunities. The proof showed there is a great variation between the school districts which results in unequal opportunities throughout the State. The local districts have large variances in taxable property, of course, real estate and personal property in particular. Some of the rich districts have seven or eight times the property subject to taxation as do some of the poorer districts. And when I say rich district, I'm talking about comparatively within Kentucky. None of the districts are all that rich, but many of them are all that poor.

Fayette County, which is the heart of the bluegrass, which is the best financed county school system in the State, has $3,400 per student per year to provide for education. McCreary County, which is probably the poorest county district, has only $1,800 per student per year. The proof showed overwhelmingly—and I think I can say beyond dispute—that there is a direct correlation between money spent on education and the type of education that is offered. The record in the Kentucky case I think proves that beyond doubt.

The circuit judge, meaning the parochial judge where the case was brought, handed down his decision in 1988. He held, number one, that education is a fundamental right under section 183 of the constitution of Kentucky; that Kentucky's system of public schools is inadequate and inequitable; and that the disparity between available funds in the property-poor districts and the more affluent districts is so great as to be discriminatory against children in the poor districts. He held that the General Assembly of the State has the sole responsibility to correct this situation.

He also said the General Assembly should proceed to correct the situation, that it had a constitutional obligation to enact "an efficient system" of public schools throughout the State and to properly finance the system. He held in particular that the financing of the public school system as it relates to various school districts should be uniform until an "efficient" system is reached for all districts. Then he held—and I think this is important—that after the constitutional level of efficiency—and that word can be defined by educational experts—after efficiency has been reached, then individual districts are permitted to and should be encouraged to strive for excellence and to exceed the constitutional requirement of efficiency, and should reach a level of excellence, if possible. The court did not reach the question of whether there was a violation in Kentucky of the equal protection laws of the 14th Amendment. But I think the clear implication is that if he had been required to go that far, he would have held that there is a violation of the 14th Amendment under the Kentucky system.

The Governor of the State declined to appeal. He said he agreed with the decision. The Superintendent of Public Instruction, who is the constitutional officer as relates to education, declined to appeal. The President Pro Tempore of the Senate and the Speaker of the House appealed to the Supreme Court, as they should have done, incidentally, the question being important enough that it needed to go to the Supreme Court.

The Supreme Court held, in June of 1989, that the lower court was correct in all essential parts and affirmed the judgment of the lower court, and in some respects the Supreme Court went even further than had the circuit judge. I want to read briefly from the language of the Supreme Court because I think it describes the situation in a great many States, Mr. Chairman.

"Lest there be any doubt, the result of our decision is that Kentucky's entire system of common schools is unconstitutional. This decision applies to the entire sweep of the system, all it's parts and parcels. This decision applies to the statutes creating, implementing and financing the system and to all regulations, et cetera, pertaining thereto."

Still quoting, "Children in 80 percent of local school districts are not as well educated as those in the other 20 percent." It is clear from the opinion that the court attributed the discrepancy to the differential in funding.

One other quote. "The total local and State effort in education in Kentucky's primary and secondary education is inadequate and is lacking in uniformity. It is discriminatory as to the children served in 80 percent of our local school districts."

The court withheld the finality of its decision until 90 days after the adjournment of the 1990 session of the General Assembly. The General Assembly in Kentucky meets every two years. It's in session now. So the effective date of this decision would be mid-July, perhaps.

Mr. Chairman, I think it is of some significance that there wasn't any grumbling by the General Assembly. There wasn't any grumbling on the part of the Governor, that the court had held they had violated their constitutional oath to perfect a constitutional system of schools. They didn't say what Andy Jackson said to John Marshall, if you recall. When Marshall rendered one of his decisions, Jackson said now that the decision has come down, let him enforce it. But the General Assembly and the Governor of Kentucky agreed that they were under obligation and that they desired to and would attempt to comply with the court's mandate and perfect a constitutional system of schools.

They appointed a task force, composed mainly of the leadership of the legislature and some staff members of the Governor, and according to the news reports, the task force has been working diligently. I am almost to a conclusion, Mr. Chairman, and here's where we are during the week of January 15th. Governor Wilkinson, the present Governor of Kentucky, summarized for the General Assembly the highlights of his budget for the next biennium and recommended an increase in funds for elementary and secondary education in the amount of $780 million. He also recommended a tax program for additional revenues from new sources and an increase of some existing taxes that he believes will generate sufficient funds.

Now, it is difficult for me at this time, on the information available, to express an opinion of whether the funds allocated for equalization are necessary. It is my opinion that the funds fall short, that the amount is not sufficient to equalize the system as it should be in Kentucky. But I think there's room for optimism. To their credit, the executive and legislative departments have accepted the Supreme Court decision in good grace. They are apparently, and I believe working in good faith, towards enacting a constitutional system of public schools in the State.

I want to say in conclusion that I favor the proposal of this bill in principle, favor it very much. But there are two provisos that I want to leave for the consideration of this committee. One is this. I think there should be a provision in the Act to provide that any State like Kentucky—and as I say, there are many States, in my judgment, that have comparable language in their constitution—where the State constitutes an efficient system or something comparable, there should be language to show that that means equality until the constitutional level of efficiency or whatever is necessary, constitutionally, to have an adequate system. Beyond that, I think individual districts ought to be able to voluntarily raise more funds and strive for excellence and perhaps to achieve excellence. Otherwise, we're going to have a tremendous controversy, in my judgment, in Kentucky, and I believe in other States, between these so-called rich districts that are willing to go beyond the constitutional requirement of an adequate or efficient system and have an excellent system. I doubt, constitutionally, you could prevent them from doing that if they wanted to. The Supreme Court has held that a man can spend his money as much as he wants to in an election. I believe they ought to be able to spend it on their children, and the Supreme Court would hold so. So I do think a proviso to that effect ought to be included in the bill.

Two, I want to call your attention—and I understand that perhaps this is only a skeleton copy of the bill. But in looking on page 2 here, it says "Subject to section 103, no State may receive Federal funds from any program administered by the Department of Education..." and so on.

I have no problem with that, except the children ought not be victimized by reason of the State not doing what it should do. I see in the summary here—and I don't know where the summary comes from; it's not in this skeleton bill—the summary says that the funds would not be stopped from coming into the State but they would be allocated directly to the district, thereby the children would be getting the benefit of the funds.

With those two provisos, as far as I can see at this time, I favor the bill. I think it will accomplish a very salutary purpose.

Let me say this, too, and maybe avoid a question. I don't think it's going to take five years. If they can't do it in two or three years, they can't do it at all. If you give them five years, they will wait until the third year to start. So in these States where the legislature only meets every two years—it should be more than two years, of course. That happens to be the situation in Kentucky. But I would say three years ought to be sufficient, in my judgment.

Thank you very much.

[The prepared statement of Hon. Bert T. Combs follows:]

TESTIMONY BY BERT T. COMBS

SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION

"THE FAIR CHANCE ACT"

JANUARY 24, 1990

STATEMENT BY BERT T. COMBS BEFORE THE SUBCOMMITTEE ON ELEMENTARY, SECONDARY AND VOCATIONAL EDUCATION IN SUPPORT OF THE "FAIR CHANCE ACT" ON WEDNESDAY, JANUARY 24, 1990, ______ A.M., ROOM 2175, RAYBURN HOUSE OFFICE BUILDING.

SECTION 183 OF THE CONSTITUTION OF KENTUCKY PROVIDES THAT "THE GENERAL ASSEMBLY SHALL BY APPROPRIATE LEGISLATION, PROVIDE FOR AN EFFICIENT SYSTEM OF COMMON SCHOOLS THROUGHOUT THE STATE."

SIXTY-SIX OF KENTUCKY'S 177 PUBLIC SCHOOL DISTRICTS, TOGETHER WITH A NUMBER OF PARENTS AND INDIVIDUAL STUDENTS, FILED SUIT IN DECEMBER 1985, IN FRANKLIN CIRCUIT COURT, FRANKFORT, KENTUCKY, AGAINST THE THEN GOVERNOR OF KENTUCKY AND THE THEN STATE SUPERINTENDENT OF THE PUBLIC SCHOOL SYSTEM AND THE LEADERSHIP OF THE KENTUCKY GENERAL ASSEMBLY AND STATE BOARD OF EDUCATION.

PLAINTIFFS SOUGHT DECLARATORY JUDGMENT THAT KENTUCKY'S STATUTORY SYSTEM FOR FINANCING ELEMENTARY AND SECONDARY SCHOOLS WAS IN VIOLATION OF SECTIONS 1, 3, AND 183 OF THE KENTUCKY CONSTITUTION, AND THE 14TH AMENDMENT OF THE CONSTITUTION OF THE UNITED STATES FOR AT LEAST TWO REASONS: (1) THE SYSTEM LACKS THE UNIFORMI-

TY REQUIRED BY SECTION 183 OF THE KENTUCKY CONSTITUTION IN THAT THERE IS SUCH DISPARITY IN THE FUNDING BETWEEN RICH AND POOR DISTRICTS AS TO DEPRIVE A STUDENT IN A POOR DISTRICT OF THE RIGHT TO RECEIVE AN ADEQUATE EDUCATION; AND (2) KENTUCKY'S SCHOOL SYSTEM IS SO INADEQUATE IN A MAJORITY OF THE STATE'S DISTRICTS THAT THE SYSTEM IS NOT "EFFICIENT" WITHIN THE MEANING OF SECTION 183 OF THE KENTUCKY CONSTITUTION.

THE ISSUES PRESENTED IN PLAINTIFFS' CASE INCLUDED THE QUESTIONS:

1. IS EDUCATION A FUNDAMENTAL RIGHT UNDER THE KENTUCKY CONSTITUTION?

2. DOES KENTUCKY'S CURRENT METHOD OF FINANCING ITS PUBLIC SCHOOLS VIOLATE SECTION 183 OF THE KENTUCKY CONSTITUTION?

3. ARE STUDENTS IN PROPERTY POOR DISTRICTS IN KENTUCKY DENIED EQUAL PROTECTION UNDER THE LAWS AS GUARANTEED BY SECTIONS 1, 3, AND 183 OF THE KENTUCKY CONSTITUTION AND THE 14TH AMENDMENT OF THE UNITED STATES CONSTITUTION?

VOLUMINOUS PROOF WAS TAKEN IN THE CASE, NUMEROUS EXHIBITS WERE INTRODUCED, AND EXTENSIVE BRIEFS WERE FILED.

THE OVERALL EFFECT OF THE PLAINTIFFS' EVIDENCE WAS THAT KENTUCKY'S SYSTEM OF COMMON SCHOOLS IS UNDERFUNDED AND INADEQUATE; THAT IT IS FRAUGHT WITH INEQUALITIES AND INEFFICIENCIES THROUGHOUT THE 177 SCHOOL DISTRICTS; THAT IT IS NOT UNIFORM AMONG THE DISTRICTS IN EDUCATIONAL OPPORTUNITIES.

THE PROOF SHOWED THAT THERE ARE WIDE VARIATIONS IN FINANCIAL RESOURCES BETWEEN THE SCHOOL DISTRICTS WHICH RESULT IN UNEQUAL EDUCATIONAL OPPORTUNITIES THROUGHOUT THE STATE. THE LOCAL DISTRICTS HAVE LARGE VARIANCES IN TAXABLE PROPERTY PER STUDENT. SOME THE OF RICH DISTRICTS HAVE SEVEN OR EIGHT TIMES THE PROPERTY SUBJECT TO TAXATION AS DO SOME OF THE POOR DISTRICTS. FAYETTE COUNTY, ONE OF THE MORE AFFLUENT COUNTY DISTRICTS, HAS $3,400 FOR EDUCATION PER STUDENT PER YEAR WHEREAS MCCREARY COUNTY HAS ONLY $1,800 PLUS PER STUDENT PER YEAR.

STUDENTS IN PROPERTY POOR DISTRICTS RECEIVE INADEQUATE AND INFERIOR EDUCATIONAL OPPORTUNITIES AS COMPARED TO THOSE OFFERED TO THOSE STUDENTS IN THE MORE AFFLUENT DISTRICTS.

IN MAY, 1988, THE JUDGE OF THE FRANKLIN CIRCUIT COURT ENTERED AN OPINION IN WHICH HE HELD THAT: (1) EDUCATION IS A FUNDAMENTAL RIGHT UNDER SECTION 183 OF THE KENTUCKY CONSTITUTION; (2) KENTUCKY'S SYSTEM OF PUBLIC SCHOOLS IS INADEQUATE AND INEQUITABLE, THEREFORE NOT EFFICIENT WITHIN THE MEANING OF THE KENTUCKY CONSTITUTION; (3) THE DISPARITY BETWEEN AVAILABLE FUNDS IN THE PROPERTY POOR DISTRICTS AND THE MORE AFFLUENT ONES IS SO GREAT AS TO BE DISCRIMINATORY AGAINST CHILDREN IN THE POOR DISTRICTS; (4) THE KENTUCKY GENERAL ASSEMBLY HAS THE RESPONSIBILITY OF ESTABLISHING AND MAINTAINING A CONSTITUTIONAL SYSTEM OF PUBLIC SCHOOLS; (5) NO LOCAL, COUNTY SCHOOL DISTRICT IN KENTUCKY IS FUNDED TO THE NATIONAL AVERAGE; FUNDS CANNOT BE TAKEN FROM ONE DISTRICT AND GIVEN TO ANOTHER BECAUSE THIS WOULD ONLY BE A STEP TOWARD STATEWIDE MEDIOCRITY; (6) THE GENERAL ASSEMBLY HAS NOT ENACTED LAWS REQUIRING STATE RESPONSIBILITY AND ACCOUNTABILITY BY LOCAL DISTRICTS AND SUCH

LAWS SHOULD BE ENACTED; (7) THE GENERAL ASSEMBLY HAS A CONSTITUTIONAL OBLIGATION TO ENACT AN "EFFICIENT SYSTEM OF PUBLIC SCHOOLS THROUGHOUT THE STATE AND TO PROPERLY FINANCE THE SYSTEM"; (8) THE PRESENT SYSTEM OF PUBLIC SCHOOLS IS NOT SUFFICIENTLY FINANCED TO ENSURE AN ADEQUATE AND EQUITABLE SYSTEM; (9) THE COURT BELIEVES THAT NEW SOURCES OF REVENUE ARE NECESSARY, BUT THE COURT DECLINES TO DIRECT THE METHOD BY WHICH A CONSTITUTIONAL SYSTEM OF PUBLIC SCHOOLS SHOULD BE FINANCED; (10) THE FINANCING OF THE PUBLIC SCHOOL SYSTEM AS IT RELATES TO THE VARIOUS SCHOOL DISTRICTS THROUGHOUT THE STATE SHOULD BE UNIFORM UNTIL AN "EFFICIENT" SYSTEM IS REACHED FOR ALL DISTRICTS; AFTER THE CONSTITUTIONAL LEVEL OF "EFFICIENCY" HAS BEEN REACHED, THEN INDIVIDUAL DISTRICTS CAN STRIVE TO EXCEED THE CONSTITUTIONAL REQUIREMENT OF EFFICIENCY AND CAN AND SHOULD REACH FOR EXCELLENCE; (11) THE COURT DID NOT REACH THE QUESTION WHETHER THERE WAS A VIOLATION OF THE EQUAL PROTECTION OF THE LAWS UNDER THE 14TH AMENDMENT.

THE CURRENT GOVERNOR OF THE STATE, WALLACE WILKINSON, WHO HAD BEEN ELECTED DURING THE PENDENCY OF THE LITIGATION, STATED THAT HE

AGREED WITH THE DECISION OF THE CIRCUIT COURT AND DECLINED TO APPEAL. THE CURRENT SUPERINTENDENT OF PUBLIC INSTRUCTION, JOHN BROCK, WHO HAD ALSO BEEN ELECTED DURING THE PENDENCY OF THE LITIGATION, DID LIKEWISE. THE PRESIDENT PRO TEMPORE OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES APPEALED TO THE SUPREME COURT OF KENTUCKY.

THE OPINION AND DECISION OF THE KENTUCKY SUPREME COURT WAS HANDED DOWN ON JUNE 8, 1989 (LATER MODIFIED ON NONESSENTIAL POINTS). THE SUPREME COURT AFFIRMED THE ESSENTIAL PARTS OF THE DECISION OF THE CIRCUIT COURT JUDGE (RAY CORNS), AND IN SOME RESPECTS WENT FURTHER THAN HAD JUDGE CORNS IN HOLDING THAT THE ENTIRE SYSTEM IS UNCONSTITUTIONAL. THE LANGUAGE OF THE COURT IS AS FOLLOWS:

> "LEST THERE BE ANY DOUBT, THE RESULT OF OUR DECISION IS THAT KENTUCKY'S ENTIRE SYSTEM OF COMMON SCHOOLS IS UNCONSTITUTIONAL. THERE IS NO ALLEGATION THAT ONLY PART OF THE COMMON SCHOOL SYSTEM IS INVALID, AND WE FIND NO SUCH CIRCUMSTANCE. THIS DECISION APPLIES TO THE ENTIRE SWEEP OF THE SYSTEM - ALL

ITS PARTS AND PARCELS. THIS DECISION APPLIES TO THE STATUTES CREATING, IMPLEMENTING AND FINANCING THE SYSTEM AND TO ALL REGULATIONS, ETC., PERTAINING THERETO. THIS DECISION COVERS THE CREATION OF LOCAL SCHOOL DISTRICTS, SCHOOL BOARDS, AND THE KENTUCKY DEPARTMENT OF EDUCATION TO THE MINIMUM FOUNDATION PROGRAM AND POWER EQUALIZATION PROGRAM. IT COVERS SCHOOL CONSTRUCTION AND MAINTENANCE, TEACHER CERTIFICATION - THE WHOLE GAMUT OF THE COMMON SCHOOL SYSTEM IN KENTUCKY.

"WHILE INDIVIDUAL STATUTES ARE NOT HEREIN ADDRESSED SPECIFICALLY OR CONSIDERED AND DECLARED TO BE FACIALLY UNCONSTITUTIONAL, THE STATUTORY SYSTEM AS A WHOLE AND THE INTERRELATIONSHIP OF THE PARTS THEREIN ARE HEREBY DECLARED TO BE IN VIOLATION OF SECTION 183 OF THE KENTUCKY CONSTITUTION. JUST AS THE BRICKS AND MORTAR USED IN THE CONSTRUCTION OF A SCHOOLHOUSE, WHILE CONTRIBUTING TO THE BUILDING'S FACADE, DO NOT ENSURE THE OVERALL STRUCTURAL ADEQUACY OF THE SCHOOLHOUSE, PARTICULAR STATUTES DRAFTED BY THE LEGISLATURE IN CRAFTING AND DESIGNING THE CURRENT SCHOOL SYSTEM ARE NOT UNCONSTITUTIONAL

IN AND OF THEMSELVES. LIKE THE CRUMBLING SCHOOLHOUSE WHICH MUST BE REDESIGNED AND REVITALIZED FOR MORE EFFICIENT USE, WITH SOME COMPONENT PARTS FOUND TO BE ADEQUATE, SOME FOUND TO BE LESS THAN ADEQUATE, STATUTES RELATING TO EDUCATION MAY BE REENACTED AS COMPONENTS OF A CONSTITUTIONAL SYSTEM IF THEY COMBINE WITH OTHER COMPONENT STATUTES TO FORM AN EFFICIENT AND THEREBY CONSTITUTIONAL SYSTEM."

THE COURT ALSO SAID:

> "CHILDREN IN 80% OF LOCAL SCHOOL DISTRICTS ARE NOT AS WELL EDUCATED AS THOSE IN THE OTHER 20%."

(IT IS CLEAR FROM THE OPINION THAT THE COURT ATTRIBUTED THE DISCREPANCY TO THE DIFFERENTIAL IN FUNDING.) THE COURT ALSO SAID:

> "...THE TOTAL LOCAL AND STATE EFFORT IN EDUCATION IN KENTUCKY'S PRIMARY AND SECONDARY EDUCATION IS INADEQUATE AND IS LACKING IN UNIFORMITY. IT IS DISCRIMINATORY AS TO THE CHILDREN SERVED IN 80% OF OUR LOCAL SCHOOL DISTRICTS."

THE COURT WITHHELD THE FINALITY OF ITS DECISION UNTIL 90 DAYS AFTER THE REGULAR 1990 SESSION OF THE KENTUCKY GENERAL ASSEMBLY.

(THE EFFECTIVE DATE WOULD FALL DURING MID-JULY, 1990. THE GENERAL ASSEMBLY MEETS FOR 60 LEGISLATIVE DAYS EVERY TWO YEARS, BUT THE LEGISLATIVE DAYS ARE NOT REQUIRED TO BE CONTINUOUS. THE GENERAL ASSEMBLY IS NOW IN SESSION.)

FOLLOWING THE SUPREME COURT DECISION, WHICH IS REPORTED AT 36 K.L.S. 6 (JUNE 8, 1989), THE GOVERNOR AND THE LEADERSHIP OF THE GENERAL ASSEMBLY APPOINTED A TASK FORCE FOR THE ANNOUNCED PURPOSE OF CREATING AND FINANCING A CONSTITUTIONAL SYSTEM OF ELEMENTARY AND SECONDARY PUBLIC SCHOOLS IN KENTUCKY. THE TASK FORCE CONSISTS PRIMARILY OF THE LEGISLATIVE LEADERSHIP AND FIVE PERSONS - MOST STAFF PEOPLE - APPOINTED BY THE GOVERNOR. ACCORDING TO NEWS REPORTS, THE TASK FORCE HAS BEEN WORKING DILIGENTLY AT ITS TASK.

DURING THE WEEK OF JANUARY 15, GOVERNOR WILKINSON SUMMARIZED FOR THE GENERAL ASSEMBLY THE HIGHLIGHTS OF HIS BUDGET FOR THE NEXT BIENNIUM AND RECOMMENDED AN INCREASE IN FUNDS FOR ELEMENTARY AND SECONDARY EDUCATION IN THE AMOUNT OF $780 MILLION. HE ALSO RECOMMENDED A TAX PROGRAM - ADDITIONAL REVENUES FROM NEW SOURCES AND INCREASE OF SOME EXISTING TAXES - THAT HE BELIEVES WILL

GENERATE SUFFICIENT FUNDS TO COVER THE $780 MILLION INCREASE IN FUNDS FOR EDUCATION.

FROM THE INFORMATION PRESENTLY AVAILABLE, IT IS DIFFICULT TO TELL HOW MUCH OF THE INCREASED FUNDS WILL GO TOWARD PROVIDING EQUALITY - OR AT LEAST SUBSTANTIAL EQUALITY - OF FUNDS BETWEEN THE RICH DISTRICTS AND THE POOR ONES. IT IS MY PRESENT OPINION THAT NOT ENOUGH MONEY IS PROPOSED TO BE ALLOCATED TO EQUALIZATION BETWEEN THE DISTRICTS. IT IS CLEAR THAT THE SUPREME COURT DECISION DEMANDS UNIFORMITY IN THE SCHOOL SYSTEM THROUGHOUT THE STATE. THIS, OF COURSE, REQUIRES SUBSTANTIAL EQUALITY IN FUNDING UP TO THE CONSTITUTIONAL REQUIREMENT OF AN "EFFICIENT" SYSTEM.

BUT THERE IS ROOM FOR OPTIMISM. TO THEIR GREAT CREDIT, THE EXECUTIVE DEPARTMENT AND THE LEGISLATIVE DEPARTMENT HAVE ACCEPTED THE SUPREME COURT DECISION WITH GOOD GRACE. THEY HAVE PUBLICLY EXPRESSED THEIR DESIRE AND THEIR INTENTION TO RE-CREATE A SYSTEM OF ELEMENTARY AND SECONDARY SCHOOLS THAT NOT ONLY WILL COMPLY WITH THE KENTUCKY SUPREME COURT MANDATE BUT WILL MAKE IT POSSIBLE FOR

THE CHILDREN OF THE STATE TO REALIZE THE POTENTIAL WITH WHICH A GRACIOUS GOD HAS ENDOWED THEM.

THERE IS ROOM TO HOPE - AND TO PRAY - THAT THE SUN WILL SHINE BRIGHTER ON THE SCHOOL CHILDREN OF KENTUCKY.

I FAVOR THE PROPOSED ACT IN PRINCIPLE, WITH THIS PROVISO. THE ACT SHOULD PROVIDE THAT IN A STATE LIKE KENTUCKY WHERE THE STATE CONSTITUTION MANDATES AN "EFFICIENT" SYSTEM OF SCHOOLS - AND THE CONSTITUTION OF SEVERAL STATES CONTAIN COMPARABLE LANGUAGE - EQUALITY IN FUNDING SHOULD BE REQUIRED UNTIL THE LEVEL OF CONSTITUTIONAL EFFICIENCY IS REACHED. AFTER THAT HAS BEEN ACCOMPLISHED A LOCAL DISTRICT THAT DESIRES TO DO SO WILL BE PERMITTED TO VOLUNTARILY RAISE MORE FUNDS IN ORDER THAT THE DISTRICTS' SCHOOLS WILL EXCEED THE CONSTITUTIONAL LEVEL OF EFFICIENCY.

RESPECTFULLY SUBMITTED,

BERT T. COMBS

Chairman HAWKINS. Thank you, Governor, for your very excellent statement.

The next witness is Ms. Morheuser, Executive Director of the Education Law Center.

Ms. MORHEUSER. Mr. Chairman and members of the committee, my name is Marilyn Morheuser. I direct a not-for-profit law office, providing free legal assistance to parents and children in matters of public school education in the States of New Jersey and Pennsylvania.

Since 1973, when the Education Law Center was founded, we have been involved in the school finance struggle in New Jersey which antidated 1973. That struggle is now 20 years old.

I have been, for the last nine years, lead counsel for plaintiffs in *Abbott* against *Burke*. On that lawsuit alone, the Law Center has spent over a million and a half dollars. As to the constitutional bases of the present litigation, *Abbott* against *Burke*, it is similar to the challenge which the Governor just described in Kentucky. It is based on the education clause of the New Jersey Constitution and on the equal protection guarantee of the New Jersey Constitution.

In 1973, when the first decision in a school finance case issued from the New Jersey Supreme Court—and the name of that case is *Robinson* against *Cahill*—a thorough and efficient system of free public schools has been defined as assuring to every child in New Jersey equal educational opportunity.

However, as this committee learned this week, if it had not been aware of this fact earlier, New Jersey is one of the five States in the Nation with the highest disparity ratio in spending. There are, as I set out in my written statement, extremes of poverty and wealth in income in New Jersey. There are also extremes of poverty and wealth in property. Over the last 13 years, disparities in per pupil property wealth have more than doubled in New Jersey, going from a ratio of 1 to 5 in 1976 to 1 to 11 in 1989.

Because of New Jersey's reliance on property wealth—and it relies on property wealth for some 60 percent of all funding of education in New Jersey, excluding Federal funding—two patterns have arisen. First, there is a pattern across the State of funding levels tracking property wealth. In fact, it was established in the trial record of Abbott against Burke that if cities had not historically funded at a much higher level than suburbs, the congruency between wealth and spending would be even greater than it is now.

The second pattern is what Judge Steven Lefelt found in his 1988 trial decision in *Abbott* against *Burke*, a decision for the children plaintiffs. That is, that what we see in New Jersey is an upside down picture of what should be. In districts where children have very serious educational needs, at a much higher level are those needs demonstrated than in affluent districts. In those high need districts we would expect to see the greatest funding. Instead, we see miserably lower levels of funding.

Attached to my written statement presented to the committee is a series of comparisons, ten comparisons, of districts, poor urban districts and affluent suburban districts. In these comparisons, urban districts are listed first in the pair down the page. You should know that for 1988–89, in every case, although property tax is not listed on this page, property tax for schools was higher in all of the urban areas than in the suburban areas. But you see on this page, with little affirmative result, for sufficiency and nondisparity of funding.

If we could take a look at just a few examples on this page that is headed "Spending Disparities", first there's a comparison between Camden and Cherry Hill. Camden the poorest city in the country. It's next door neighbor is Cherry Hill. Cherry Hill has nine times the wealth of Camden. It's tax rate is 77 percent that of Camden. But there is a disparate spending level of over $2,400 per pupil in the year 1989.

Now, to bring that down to a classroom level, to make it very practical, what does that disparity mean? There are many classes in Camden that are large. For a classroom of 30 children, a difference of $2,400 per child totals an additional, for one classroom, $72,000. With $72,000 additional moneys, Camden could do what it can't do now. It could have small classes, especially in the early grades; it could have libraries and librarians; it could educate its children in high school in science labs that have some equipment. Right now most of them are in ordinary classrooms, devoid of equipment. It could afford to put in an advanced placement program for its very bright children, who have no such program. It could do many things that it can't do now. As a consequence, its children suffer with an education level that is far inferior to that of Cherry Hill.

Just a few more examples. Trenton and Princeton. There's about a five-minute driving distance between these two cities. Princeton is ten times as wealthy as Trenton. Its tax level is half that of Trenton's. Yet, between the two cities there is over a $2,800 difference per child in the 1989 year.

Similarly, between Newark, my home city, and Summit, Summit has 11 times the wealth of Newark. Its tax rate is less than half that of Newark. There is a difference of over $1,900 per child available for the education of children in Summit and in Newark, with Newark children among the poorest in the Nation getting the shortest end of the resources stick.

Not only are there extremes of poverty and wealth and extremes of funding disparities in New Jersey, New Jersey also has extremes of racial segregation. New Jersey now ranks fourth in the segregation of black children in its public schools. It ranks third in the segregation of Hispanic children. I believe it ties with New York in being the most segregated northern State in the segregation of minority children. So that the children being deprived of very basic decent education are in the 29 poor districts in New Jersey. Eighty percent of those children are Hispanic or African-American.

The most important message I have for this committee today is that we in the States need your help. I said earlier that the struggle for very rough justice for children has gone on in New Jersey for over 20 years. State officials have succeeded—notwithstanding what was considered a winning decision in *Robinson* against *Cahill*—for 20 years State officials have succeeded in perpetuating disparities by ignoring and manipulating the law, by delaying any resolution in the new case that was brought nine years ago, even by arguing that to test equity in New Jersey one must add Federal funding to State funding, to test the equity of a State formula.

State officials in New Jersey and many other States who resist reform I believe are under the misguided perception that their constituents would not support increased State funding and a high level of funding for all children, to assure high quality education for all children. National polls show differently. Rather than taking time to summarize this, I brought with me today 50 copies of an article that ran last year, in 1989, giving the results of two national polls, both of which show increasing numbers of citizens concerned about the level of education provided poor children and willing to be taxed higher to improve that education in various ways.

I thank the committee for the opportunity to appear before you. I think the time is more than ripe for the Federal Government to assure that disparities in educational funding stop. This level of disparity is hurting all of us and will hurt us even more in the future as the numbers of children attending public schools, the number of minority children attending public schools increases in many States. In New Jersey it will soon constitute one-third of all the children in our public schools.

I will be happy to answer any questions about the relief plaintiffs seek, as there were questions raised earlier about types of formulas in the question period. Thank you.

[The prepared statement of Marilyn Morheuser follows:]

Education Law Center, Inc.
Room 209
155 Washington Street
Newark, New Jersey 07102
201-624-1815

2100 Lewis Tower Building
225 South 15th Street
Philadelphia, Pennsylvania 19102
215-732-6655

Testimony on the Fair Chance Act, H.R. ____
January 24, 1990

Marilyn Morheuser, Executive Director,
Education Law Center, Inc.

I endorse the Fair Chance Act as an appropriate and necessary exercise of congressional authority to end discrimination against poor children in the delivery of public school education. For nine years, I have been lead counsel for plaintiffs in Abbott v. Burke, a challenge to the constitutionality of New Jersey's school financing statute brought by Education Law Center in behalf of poor and minority children in the State's 29 poor urban districts. Those districts have responsibility for educating some 280,000 children, 80% of whom are African-American or Hispanic.

The history of the twenty-year struggle to assure equal educational opportunity to all New Jersey children (a struggle which has not ended and which, to date, has failed to yield results) demonstrates the near futility of relying on litigation as a remedy for inequitable school financing. For the past 20 years New Jersey officials have deliberately denied hundreds of thousands of poor and minority children "a fair chance for a good education." The New Jersey experience argues for the federal government to assume leadership in requiring what State elected and appointed officials have strenuously opposed.

The New Jersey struggle began in 1970, when Robinson v. Cahill, the State's first school financing lawsuit was filed. Since 1972, when the Robinson trial court decision issued, there has been official recognition of serious funding disparities and insufficiencies in the delivery of public education to New Jersey's poor children. In 1973, the New Jersey Supreme Court declared the prior statute unconstitutional and proclaimed the right of all New Jersey children to equal educational opportunity. It took four more decisions of the Court to force the Legislature to enact a new statute. The statute (P.L.1975, c.212) was not funded until 1976-77. In 1976 (Robinson V, 69 N.J. 449), all of the Supreme Court justices raised serious questions about whether the new formula would meet the constitutional imperative. See Abbott v. Burke, 100 N.J. 269, 287(1985). Nevertheless they found the statute facially constitutional because they believed that a newly enacted system of detailed State oversight would detect any funding problems. Further, they expected the Legislature to deal with the widely recognized problem of municipal overburden in New Jersey's very poor cities.

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The faith of the Court in the executive and legislative branches was misplaced. The Commissioner of Education failed to implement key sections of the new law, such as the requirement for an annual review of the sufficiency of district budgets. The Legislature did nothing to deal with the increasingly serious problem of urban poverty and the cities' inability to raise sufficient revenues to support education.[1] Moreover, in 1979, legislation was enacted to reduce the equalizing factor of the formula which the Court had approved. Then, year after year, the Governor and Legislature underfunded the amended formula, prorating further reductions in equalization aid. In 1977, 56.8% of State aid was directed toward equalizing expenditures between property-rich and property-poor school districts. By 1987, equalization funding had been reduced to 49.3% of State aid.

The opposition of New Jersey officials to remedying disparate school funding grew even more adamant with the filing of Abbott v. Burke on February 5, 1981. The State has done everything possible to frustrate resolution of the case. Defendants Commissioner and State Board of Education, represented by the Attorney General, have delayed trials scheduled in 1983 and in 1986 by failing to meet discovery deadlines and by filing 11th hour motions. At the nine month trial eventually held in 1986-87, the State refused to agree to a single fact introduced by plaintiffs, including census data.

In the face of unrefuted facts detailing the inferior level of education afforded New Jersey's poorest children, the Commissioner of Education's position is that equity is not required under the New Jersey Constitution; that money spent on education is totally unrelated to educational results, that, e.g., there is no research showing that a student who has only inferior science lab facilities in high school cannot succeed in college; that municipal overburden is a myth, and that cities could assure more money for education under the present formula by increasing their property tax rates (already much higher than suburban school tax rates); that, if given more time, State monitoring, and, if necessary, State takeover of more urban districts will resolve their present failure to provide the minimum education which, in the Commissioner's view, is all that the State Constitution requires.

On September 25, 1989, the Attorney General argued these positions before the New Jersey Supreme Court as the State's defense to unrefuted facts found by Judge Steven Lefelt in his 1988 decision. These facts establish that in 1987 as in 1972, poor urban schools employ fewer and lower-paid teachers, have larger classes, offer fewer programs, provide narrower curriculum, and house students in older, overcrowded, ill-equipped, and less educationally appropriate facilities than wealthier school districts. In many cases, conditions have worsened since 1972.

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[1] By 1982, according to the Brookings Institute, four New Jersey cities (Camden, Newark, Paterson and Trenton) were among the 11 most distressed cities in the nation.

In the *Robinson* trial decision, *e.g.*, Judge Theodore Botter found that only three of Paterson's 26 elementary schools had libraries or librarians. In 1988, Judge Lefelt found there were none. As of 1979, districts such as Newark, Paterson and Camden had to drop elementary school librarians and teachers of art, music and physical education from their staff. By 1988, children in Paterson, Jersey City, East Orange, Newark and many other urban districts were attending classes in storage rooms, furnace rooms, coatrooms, auditorium balconies, and abandoned warehouses. In Asbury Park K-4 classes were on double session. In an Irvington school 11 classes were housed simultaneously in an auditorium.

Average elementary school class size (including K-3 classes) in some poor districts had grown from 27 to 32 (with some classes numbering 39). In 1988 overlarge classes in urban districts precluded mainstreaming handicapped children. Bilingual classes numbered as many as 37 children in four grade levels, speaking three different languages.

In 1972, Camden science facilities were found to be deficient. By 1988 most Camden high school laboratory sciences were taught in regular classrooms, devoid of equipment. Similarly, there is no lab equipment for East Orange junior high students, and Paterson high school labs are without running water. While suburban districts, such as Moorestown or South Orange/Maplewood or Ridgefield, can provide a recommended ratio of one computer for every 12 children, assuring that all children have access to computers, poor districts like Newark, East Orange, and Camden can afford equipment to provide computer education to only 1% to 4% of their students. While suburban children are provided foreign language instruction as early as kindergarten, urban students are limited to a choice of two languages for two years beginning in the 9th or 10th grade.

Judge Lefelt also found that disadvantaged children begin school two years behind their suburban peers and progressively lose more ground; that while suburban children rely on formal schooling for only 40-50% of their education, poor children have only the public schools on which to rely. Yet it is poor urban school districts, where childrens' needs are greatest, that had on average $1500 per child less to spend in 1985.[2]

Such disparities and concomitant inadequacies in the education of children whose only sin is to be born into poverty lead to disastrous consequences.[3] The dropout rate in many of New Jersey's poor urban high schools is 50% or more. Recent Department of Education data show that some 16,000 students drop out annually, most of them urban youngsters. Many who do manage to graduate are functionally illiterate. A question recently raised by Robert Winters, President and CEO of The Prudential is: "How long can we remain competitive when our economy is burdened by a huge under-educated population?" Chairman Winters also reminds that research shows a clear link between dropping out of school and criminal behavior. In New Jersey, as elsewhere, the fastest growing item in the state budget is the cost of corrections.

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[2] For the profile of disparate resources for regular educational expenditures in individual urban and suburban school districts since 1976, see the attached list.

State officials' position in Abbott v. Burke is that socio-economic status is the primary determinant of educational achievement. Therefore, what is will always be. As this Committee knows, however, and as Judge Lefelt found in 1988, research demonstrates that when high quality programs are provided poor children, the children can and do succeed. New Jersey has failed to provide such programs as pre-school for disadvantaged three and four-year-olds (some 46,000 children in New Jersey are eligible for and not provided such programs); guidance and counseling from kindergarten through 12th grade; reduced class size in elementary schools; and intensive, individualized dropout prevention programs. New Jersey's neglect constitutes, in Judge Lefelt's words, "a very significant failing that if corrected would markedly improve the academic achievement and later life successes of many urban students."

For at least 20 years, hundreds of thousands of urban children's chance for later life success has been jeopardized by New Jersey officials' refusal to accord them their constitutional right. And this in a State which ranks second among the states in average income, but which ranks 38th in the percentage of State support for education.

These conditions obtain notwithstanding two prolonged and costly law suits. Education Law Center has spent more than $1.5 million on the Abbott litigation alone. We now await a NJ Supreme Court decision. Should the Court find for the children, as Judge Lefelt did, the task of assuring implementation still awaits us.

For the sake of poor children in New Jersey whose search for rough justice has gone on for twenty years and for the sake of poor children in many other states, I urge approval of the Fair Chance Act. In states like Mississippi, litigation urged by the Governor and Legislators, frustrated in their attempts to equalize school funding, may be equally prolonged. As the Committee for Economic Development pointed out in 1987, this country can no longer afford to neglect the education of its disadvantaged children.

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[3] For a full and complete view of the unmet educational needs of New Jersey's poor urban children, I invite committee members to read Judge Lefelt's August 25, 1988 decision, OAL DKT. No. EDU 5581-85, a copy of which I will be happy to provide.

Spending Disparities

(Net Current Expense Budget per Pupil)*

	75-76	84-85	88-89
Camden	$ 1,266	$ 2,492	$ 3,538
Cherry Hill	1,602	4,023	5,981
difference	**336**	**1,531**	**2,443**
Irvington	1,245	2,660	4,582
Livingston	1,550	4,209	6,522
difference	**305**	**1,549**	**1,940**
East Orange	1,420	2,775	4,457
West Orange	1,606	4,262	6,505
difference	**186**	**1,487**	**2,048**
Jersey City	1,396	2,996	4,566
Paramus	1,966	4,686	5,975
difference	**570**	**1,690**	**2,409**
Paterson	1,056	2,444	4,422
Madison	1,775	4,290	6,722
difference	**719**	**1,846**	**2,300**
Trenton	1,383	3,083	4,882
Princeton	2,117	4,788	7,725
difference	**734**	**1,705**	**2,843**
Newark	1,431	3,216	5,323
Summit	1,685	4,340	7,275
difference	**254**	**1,124**	**1,952**
Salem	1,558	2,114	3,196
Moorestown	1,630	4,039	5,485
difference	**72**	**1,997**	**2,289**
Passaic	1,192	2,620	4,014
Wayne	1,376	3,951	6,127
difference	**184**	**1,331**	**2,113**
Bridgeton	1,110	2,582	3,465
Haddonfield	1,476	3,518	5,367
difference	**366**	**936**	**1,902**
State Average	1,427	3,329	5,075

* Includes local revenues and State equalization/minimum aid: considers funding for normal educational costs, exluding special funding for special programs

Education Law Center **155 Washington St.** **Newark, N.J. 07102** **201-624-1815**

Poll finds most citizens willing to pay higher taxes for better schools

National achievement standards gain favor in new Gallup survey

WASHINGTON (AP) — Americans, once resistant to the idea of paying for public school changes, now are willing to pay higher taxes to implement a variety of school reforms, including a national curriculum, a Gallup Poll said yesterday.

In fact, 70 percent of those questioned for the 21st Annual Gallup Poll of the Public's Attitudes Toward Public Schools, released by Phi Delta Kappa, a professional educational fraternity, favored requiring public schools to conform to national achievement standards and goals. Only 19 percent were opposed and 11 percent were undecided.

Ten years ago, a Gallup Poll showed a two-to-one opposition to federal curriculum standards.

As for taxes, 64 percent of the respondents in the latest poll said they would pay higher taxes to improve the quality of public schools in poorer communities. In 1983, 58 percent said they would pay higher taxes to raise the standards of public education.

"The public is more receptive to higher taxes than they have been in the past; this is a change that is quite a change, a major change," said Alec M. Gallup, coauthor of the report. "In the past, they almost invariably said 'no' to higher taxes."

John Rowley, president of Phi Delta Kappa and principal of Mt. Pleasant Middle School in Livingston, said the public is more willing now to have a national curriculum because of the results states have gotten from statewide tests.

"The public is ready for tradition-shattering changes in the policies that govern U.S. public schools," said the poll, based on in-home interviews conducted in early May and early June.

Americans rate the quality of public schools poorly, with only 8 percent giving an "A," 35 percent a "B," 33 percent a "C," 11 percent a "D" and 4 percent an "F." Nine percent did not know or did not reply, according to the poll.

Key findings of the survey were:

- Reducing class sizes in early grades was supported 75 percent to 18 percent, while 58 percent said they would be willing to pay higher taxes to make that possible.

- 60 percent favored allowing pupils and their parents to choose which public schools in their communities youngsters will attend. Thirty-one percent were opposed and 9 percent were undecided.

- 75 percent favored reducing class size in the early grades, now often in the range of 20 to 35 pupils, to as few as 15 pupils, while 18 percent were opposed.

- With those who favored requiring public schools to conform to national achievement standards and goals, 61 percent wanted the standards to be set by professional educators, 26 percent wanted a panel of parents and other lay people to set the standards and fewer than 10 percent wanted the standards set by the president, Congress or governors.

- 69 percent favored requiring public schools to use a standardized national curriculum, while 21 percent were opposed and 10 percent were undecided.

- 71 percent favored after-school and summer programs for students whose parents work. Twenty-one percent were opposed.

The idea of parental choice, already state law in Minnesota, Arkansas and Iowa, is a centerpiece of the administration's education policy.

Findings of the new poll were largely consistent with results of a Media General-Associated Press poll in June. Two-thirds of that sample favored more spending on public schools and nine out of 10 in that group would accept higher taxes to pay for it. Fifty-eight percent said parents should be able to choose which public schools their children attend.

More than 40 percent favored year-round classes. However, 54 percent of the Media General-AP respondents said they did not believe standardized tests reflect how well pupils are doing in school.

According to the poll, parental choice gets stronger support among nonwhites and young adults — 67 percent for both groups — and in Western states, at 64 percent. Twenty-one percent believed parental choice would improve all schools. Only 14 percent believed choice would hurt all schools.

Opponents of parental choice have contended that it would lead to some schools, particularly those in disadvantaged areas, being drained of students and resources.

Nearly three-fourths of those polled think it is "very important" to improve the nation's inner-city schools. Substantial majorities are willing to spend more taxes to expand Head Start programs, 68 percent; to screen young children for health problems, 74 percent; and to provide day care for the children of working parents, 58 percent.

The survey used a sample of 1,584 adults spread through all areas of the nation and in all types of communities.

John Rowley
Public ready for change

Chairman **Hawkins**. Ms. Morheuser, thank you very much.

The document you referred to was what?

Ms. **Morheuser**. This is an article about national polls.

Chairman **Hawkins**. Do you have copies of that that you're going to leave with us?

Ms. **Morheuser**. Yes.

Chairman **Hawkins**. Thank you.

The final witness is Mr. Kauffman, senior litigation attorney, Mexican American Legal Defense and Educational Fund.

Mr. **Kauffman**. Thank you very much, Mr. Chairman, and members of the committee.

My name is Al Kauffman. I'm an attorney with the Mexican American Legal Defense Fund in San Antonio, TX. We are a not-for-profit organization, representing Mexican-Americans in civil rights suits for 20 years. I was lucky enough to be the lead counsel in *Edgewood* v. *Kirby*, the recent State Supreme Court case in Texas which, in a nine to zero decision, a bipartisan decision—six Democrats and three Republicans—found the Texas school finance system unconstitutional under the Texas system.

What I would like to do today is briefly summarize for you, without going over the points that have already been covered, first just how bad the situation is in poor districts in my State, and second, that it has been bad for a long time. The Federal regulations that you are looking at have really been of very little help in changing things in Texas. Second, I want to say that money does matter, and that is an important theory in the area of school finance, but in reality, everybody in the districts and everybody in the courts and everybody in this Congress knows that you're going to have more programs, more flexibility to provide a decent education for kids if you do have the money.

Third, I want to stress with you the importance in any legislation you design of being sensitive to the different needs of students in different districts. Students carry with them a very different set of needs as they approach schools, and any system that you require has to be sensitive to that. Otherwise, you can maybe create more problems than you solve.

I want to briefly describe to you what I think you can do, both under the existing legislation and possibly changes to that, and then possibly even suggest some formulas for you.

First, in school finance, there are literally hundreds to thousands of districts and States. In Texas, we have more than a thousand. As you look at the numbers, you have to be sensitive to the sort of issues that Congressman Smith was talking about. If you take just the very richest and the very poorest districts, you always get tremendous disparities. If that were the only problem, then, we would not be winning these cases in the State courts. In fact, if you look at the whole system, if you look at the hundred richest districts in Texas against the hundred poorest, you still find tremendous disparities in terms of the programs that they can offer. If you look at the rich districts with needs against the poor districts with needs, the rich district with needs still has much more to spend on their children. Any way you cut it or paste it, the problem is terrible.

For example, in Texas, if you take the hundred richest districts, they spend about $6,000 a year on their students, and they tax at about 37 cents per hundred dollar property value. In the hundred poorest districts—and I represent most of those—they spend around $3,000 per student on average and tax at 74 cents per hundred dollars. In other words, the hundred poorest districts—and now I'm not talking about a few kids; I'm talking about literally hundreds of thousands of children on each end of the spectrum. These spend $6,000 on them at a 37 cent tax rate in the rich districts, and these in the poor districts have $3,000 at twice the taxes.

The combination is what hurts the children, and it's very important that, as you look at any legislation, you consider that combination, because it's the only way to really fairly look at school finance.

I would like to use a very quick example because I think it helps. In terms of raising money, remember where these decisions impact on the children. When the school board is sitting around the table and thinking what can we do for our kids, the superintendent goes in to them and says we have a 50 percent dropout rate in our district, we have high teenage pregnancy, we have high illiteracy; I have a special program here that's going to cost $500 per student to implement. That creates a very different picture at your school board, depending on whether you are a wealthy or a poor district.

If you are an EdCouch-Elsa, one of the districts that I represent, to raise that $500 a student, you have to raise your taxes $2.50 on a hundred dollar property value, which is absolutely impossible. No district can do it. It's illegal in the State, and the school board members would be hung if they tried it.

On the other end of the spectrum in Highland Park, that same program will cost them 5 cents of taxes. So when the Highland Park superintendent goes to his school board, he has some flexibility. He can, in fact, respond to the needs of the children in his district. As I said, you must look at that when you consider anything.

In terms of the way the system is structured in Texas, each district has a fiefdom. They completely control the taxable wealth in their district. This is probably built on an old theory that this is property that our people built and we deserve to reap the fruits of this property. That's not present-day America. If you are in a large county, everybody in that county developed a shopping center; everybody in that county breathes the lousy air from the plant; everybody in the county built all of the infrastructure in the county. And yet, individual districts have the sole use of the property within their borders.

For example, in a small rural county, I represent a district of 300 kids. They spend about $3,000 per kid and have about $1.20 tax rate. Right next door to them is the Alcoa plant, which basically leaves a cloud over the entire county. But the people in that district get to share in that wealth. They spend twice as much on their kids for a lower tax rate. Although all of the people in the county work at the plant, all of them built it, all of them should share in its resources.

The second thing I guess related to that is in terms of bringing it down to your real taxpayer. On an $80,000 home in Texas, people pay from $40 in taxes a year up to around $14- or $1500 of taxes a year on an $80,000 house. As you might guess, the people paying the $1500 are all in the very poorest districts, which are making the greater effort.

The next general topic is whether money matters. I think Chairman Hawkins well described it. Basically, if money didn't matter, I don't think you would find the rich districts fighting so hard to keep their money. We decided early on in our lawsuit—in fact, I offered a settlement on the floor of the courtroom—that if the rich district would just give us what they had and they could take what we have, we could settle the lawsuit. Obviously, the offer was not taken.

You will find that those people who have that money want to keep it. In fact, they keep spending more. Even those districts in our State that are spending, 20, 30, 40 percent more than the State average, keep spending more because they need it. They need to compete for teachers, they need to have more teachers. They need to have better programs. They need to have better facilities. They need to have better computers. They need to have all the special programs to react to what their children need.

Now, you can hear thousands of horror stories on districts all over the country, and we in Texas certainly have our share. I represent a district in the Valley that, at one of their elementary schools, the latest World Book is 1965. As their State legislator said, they don't know yet that man has landed on the moon. I have another district where, to use computers, they don't have enough computers for the children. They only had one in each classroom. The rest of the students use little pieces of paper and type on the paper to learn how to type into a computer.

In one of our districts, more than half of the students go to school in portable buildings. Those are basically trailers with an air conditioning unit and one or two windows. The acoustics are terrible, the temperature control is terrible, the environment is terrible, and kids don't feel like their in a school. You're really hurting them long term.

The next thing I want to talk about is different costs. This presents problems again because those districts that have the money and don't have kids that need more will often say that's just school finance experts' theories. In fact, people who work in the schools, who will talk to you off the record, will all admit, if you have students who are two or three years below grade level in reading, it costs more to educate them. If you have students who are potential dropouts, it costs more to educate them. If you have students in special education, it costs more. And in bilingual education, it costs more. In very sparse districts, it costs more. So again, any formulas that you use must consider those various costs of educating students.

In our State, you will find there is a tremendous concentration of poor people in poor districts. We are the State of *San Antonio ISD* v. *Rodriquez*, the U.S. Supreme Court case, which found education is not a fundamental right. In that decision, there was a lot of discussion—in fact, Justice Powell summarized an exhibit by somebody based on school finance in Syracuse, NY, and he said I look at this little survey of five districts in Syracuse and I say there's no relationship between wealth and poverty. Well, in our case we looked at the kids in every district in the State in terms of their poverty, in terms of their ethnic breakdown, in terms of their language needs, in terms of all of their needs, and in every case we found that the poor districts have more kids who need more, not less.

The last two topics are, first, a general overview of what I think you can do. The bill certainly structures it well and we support the basic structure of it. First, I think you need to have much tighter and stronger standards that existed in the regulations back in the late Seventies. To be quite frank, they haven't done any good. Those regulations were passed in the late Seventies. We would not be here today if our systems were not terribly inadequate and inequitable. They just haven't had much of an effect. So you've got to make them strong, you've got to make them clear, and you've got to tell the Department of Education to do that.

Secondly, I strongly urge you to put the burden on the States to show that their system is adequate and equitable. I worked in the Office of Civil Rights in HEW for a year and I'll tell you about the tremendous differences between the old title VI regulations, where HEW had the burden of showing that the public body discriminated, versus the old ESA, the Elementary School Aid Act, where the district had the responsibility to show HEW that it didn't discriminate. In one case we could say you don't get the money next week unless you have a new bilingual education program, and next week they had it. Magic does work when money is behind it. On the other hand, if we had to go out in each district and show that the lack of special ed programming had a negative impact on the children with that burden, and go through administrative procedures up to District court, you could never do it.

I am a lawyer and we learn to delay. It's part of our profession. Any good lawyer for a district can slow HEW up forever. That's one reason I'm on this side of the docket instead of that side at this time.

Secondly, the last point here, I guess, is in terms of specifics. I strongly urge you to look at the top and the bottom of the spectrum. I can't get too technical here. I can do that with your technical people later. But if you look at every district in the State, rank them in order of their wealth, put the wealthiest down at that end of the table and the poorest down at this end of the table, add up all those districts until you have five or ten percent of the kids in the State—this, in our State, is hundreds of thousands of kids. Even in small States, it's going to be a large number. Compare what they've got to what the kids at the poor end of the spectrum have, and make sure that that discrepancy is in a very small range. I suggest you look at the top five percent and the bottom five percent, and the top 20 percent and the bottom 20 percent, and require a very strong range between those.

Next, you must account for cost. Any formula you have must allow the State to implement a system of giving moneys to districts that need it the most. You have to consider that. But let me tell you, within that system in our State, it is still tremendously inequitable. The State does try to give more money to districts that need more, but they haven't nearly overcome the difference in property values.

The last point here is, in terms of creating more equity, let me just suggest to you that in our State we spend about $12-13 billion a year on public education. At least two billion of that is probably inequitably spent. By that I mean it should be spent in the poor districts that need it rather than in the rich districts that don't. If you could create a system which would change that, which would move some of those funds from the rich districts that don't need it as much to the poor districts that do need it, you could probably create more new funding than you will do in whatever efforts you have for additional funding.

I don't want to criticize that. We need it. You need to greatly supplement it at the State level because, to be honest, you're never going to get through most State legislatures anything that's going to take any money away from anyone. So your money is needed to supplement the present program. But I don't think you should overlook the tremendous flexibility that you would have within the States to free up money to go to the poor districts. It would probably be quicker and probably a little bit easier than your raising the funds that are needed nationally. Although again, I want to stress with you, whatever funds you can come up with to supplement the systems around the country, are greatly needed.

We certainly don't have the same school finance system that I grew up in or that you grew up in. The kids out there are a lot different and they need a lot more than they used to.

That's the end of my comments. I really appreciate the effort that you have shown in producing the legislation. I look forward to questions. I'm a lawyer and I like to deal with moving targets. I appreciate it.

[The prepared statement of Albert H. Kauffman follows:]

Mexican American
Legal Defense
and Educational Fund

1430 "K" Street, N.W.
Suite 700
Washington, D.C. 20005
(202) 628-4074
FAX (202) 393-4206

MALDEF

TESTIMONY
ON
PUBLIC SCHOOL FINANCE ISSUES

BEFORE THE
EDUCATION AND LABOR COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

BY

ALBERT H. KAUFFMAN
SENIOR LITIGATION ATTORNEY

MEXICAN AMERICAN LEGAL DEFENSE
AND EDUCATIONAL FUND (MALDEF)
SAN ANTONIO, TEXAS

JANUARY 24, 1990

National Office
634 South Spring Street
11th Floor
Los Angeles, CA 90014
(213) 629-2512
FAX (213) 629-8016

Regional Offices
542 South Dearborn Street
Suite 750
Chicago, IL 60605
(312) 427-9363

182 Second Street
2nd Floor
San Francisco, CA 94105
(415) 543-5598
FAX (415) 543-8235

The Book Building
140 E. Houston Street
Suite 300
San Antonio, TX 78205
(512) 224-5476

1430 "K" Street, N.W.
Suite 700
Washington, D.C. 20005
(202) 628-4074
FAX (202) 393-4206

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Mr. Chairman and members of the Committee, on behalf of the Mexican American Legal Defense and Educational Fund (MALDEF), a non-profit legal advocacy organization dedicated to protecting and promoting the civil and constitutional rights of Hispanics living in the United States, I appreciate this opportunity to share with you our immense frustration with the blatant inequality of school finance systems in the country, and particularly in the state of Texas. My name is Albert Kauffman. I was the lead attorney in the recent unanimous state Supreme Court case in Texas, Edgewood v. Kirby, 77 SW2nd 391 (Texas 1989). In a strongly worded bipartisan decision, the Supreme Court held that the system of funding public schools in Texas violates the Texas Constitution. Briefly, I will describe some of the underlying factual issues in the school finance system that made the Texas Supreme Court take the very unusual step of declaring the system unconstitutional and enjoining its use.

THE REAL VICTIMS OF INEQUITABLE FUNDING

Before I begin, however, I want to direct your attention to the real victims of inadequate and inequitable school finance systems: children. Children who are forced to attend low wealth school districts are, in effect, being penalized because of the location of their birth. These children are suffering tremendously because lack of sufficient funds translates into lack of opportunity for good programs, good teachers, good facilities and a real future. All of us suffer when major parts of our population are undereducated, and society at large is beginning to realize that inequitable and inadequate school finance systems, even though they allow some privileged districts to reap an illegal harvest, nevertheless finally hurt us all.

TEXAS SCHOOL FINANCE

School finance in Texas is paid for in three ways: by the federal government (6%), local school districts (51%), and the state (43%). While the state distributes more monies to poor districts than to rich districts, local monies are very unevenly distributed because they are based solely on the tax bases of individual school districts. Consequently, in Texas, the wealth of a school district is dependent on taxable property value within the district. The amount of property value available to be taxed when broken down by the number of students to be served provides a clear view of the wealth disparities of taxable property value between districts - disparities ranging from twenty thousand dollars ($20,000) of property value per student to fourteen million dollars ($14,000,000) of property value per student. This disparity in taxable property value among districts results in a remarkably unfair system of allocation of the state's resources to school districts.

There are over one thousand school districts in Texas. If you take the hundred richest school districts and compare them to the hundred poorest districts in Texas, the richest have tax rates of thirty-seven cents and expenditures of six thousand dollars ($6,000) a student, while the poorest districts have tax rates of seventy-four cents and expenditures of only three thousand dollars ($3,000) per student. In other words, the richest districts pay half the taxes and spend twice as much on their students. The problem is further exacerbated by the fact that in Texas poor and minority students are concentrated in the poorest school districts.

For example, the EdCouch-Elsa district has a student population that is 99% Mexican American. Over 90% of these students live below the poverty level. This district has about twenty thousand dollars ($20,000) of property wealth for every student in the district. Highland Park ISD in Dallas, on the other hand, is an extremely wealthy district. Residents of this district include the present governor of Texas and presidents of several major national corporations. Highland Park ISD has about one million dollars ($1,000,000) worth of taxable property per student in the district. Thus, for every penny of tax, Edcouch-Elsa can raise $2 of revenue per student whereas Highland Park can raise $100 of revenue per student. And so the inequity begins. The difference in the amount of money raised is substantial. At a fifty cent tax rate, Highland Park can raise five thousand dollars ($5,000) per student while Edcouch-Elsa can raise only one hundred dollars ($100) per student. Even though the state gives significantly more money to Edcouch-Elsa (approximately $2,600 a student) than to Highland Park (only $300 a student), when state and local funds are combined Edcouch-Elsa still lags far behind Highland Park in per pupil expenditure. Thus, with state funds, Edcouch-Elsa has only two thousand seven hundred dollars ($2,700) per student to spend and Highland Park has about five thousand three hundred dollars ($5,300). The fact that both districts tax at the same rate becomes immaterial at the bottom line of school finance. Most importantly, the lack of adequate funds greatly limits the ability of Edcouch-Elsa to exercise "local control." Without funding for programs, teachers, and facilities, low wealth districts do not have the flexibility to provide the quality education their students deserve, simply because they have no means to raise the money that is needed.

THE NEED FOR ADEQUATE FUNDING

But what does adequate funding mean when it comes down to the direct effects on education? The following examples will provide a clear picture. Assume, for example, that a district in Dallas County, Texas is spending three thousand two hundred dollars ($3,200) per student and another district in the same county is spending four thousand eight hundred dollars ($4,800) per student. Roughly, if four thousand students are served in each district, this amount of per pupil expenditure translates into a budget of approximately twenty million dollars ($20,000,000) at the richer district and approximately thirteen million dollars ($13,000,000) at the poorer district. So what does the richer district get for the extra seven million dollars? The richer district can afford to pay much higher teacher salaries and therefore attract and retain better teachers. The richer district can also build and maintain the best possible facilities, and have a broad range of programs, especially such special programs as advanced English, advanced science courses, up-to-date computer technology, smaller class sizes, better library facilities, richer extra-curricular and co-curricular activities, more mid-level administrators to maintain high curriculum standards, better discipline and better supervision of instruction and curriculum. Simply stated, students in the richer districts get a better education. Indeed, although many rich districts argue that "money doesn't make a difference," the Texas Supreme Court specifically found that districts with more money can and do provide better educational programs for their children. I might point out that those districts with substantial money say that "money doesn't make a difference", but they fight to the death to defend their right to spend as much money as they want on their school children. Money doesn't make a difference? It's very clear that it does!

PROVIDING MEANINGFUL EQUITY

A very important issue in the school finance area, and one that is often ignored by state governments, state supreme courts and this Congress, is the different costs of educating children in different school districts. For example, children who are far below their grade level in reading, children who are limited English proficient, or children in special education or vocational education programs simply cost more to educate than do other children. Some states have done a fairly good job at recognizing these "cost differences" as well as the cost differences in educating children in very small or very large districts as well as in rural districts. So, whenever you consider a state school finance system you must look both at the gross amounts of money spent per child as well as the special needs of the school children and school districts.

CONCLUSION

The Texas school finance system is especially harmful to children in low-wealth districts because not only do these districts receive less money per student, they also have a greater need for dollars than do the wealthy districts. Thus, if you go back to the example I gave earlier, the wealthy district that spends twenty million dollars ($20,000,000) on its 4,000 students actually needs less money because the majority its students do not have the special needs experienced by children in low-wealth school districts. Clearly, this exacerbates the differences in spending and results in an even poorer education for children within the low-wealth districts.

The question before this Committee, however, is how to guarantee equality of opportunity in the various states and to consider what effect these inequalities have upon the matter of choice of public school districts. As it stands, in Texas there is a great concentration of poor students in poor districts. These poor students will not have the same ability that rich students have to move from district to district, especially in a state as large as Texas. In fact, poor children are stuck in poor districts and the only way their education will be significantly improved is to improve the districts in which they reside.

I strongly urge you to consider requiring states to have perfectly equalized and fair school finance systems before they can receive federal funding. This would be accomplished by looking at the expenditures per student for every student in the state and ensuring that these expenditures are the same for every district. Of course, the varying costs of educating children in the various districts must also be taken into account.

In the past, Department of HEW regulations were fairly vague and state school systems used this ambiguity to their advantage by working around the regulations in order to meet the federal guidelines. I recommend tightening these guidelines to require that school finance systems spend the same amount of money on the children in the richest 5% of districts as in the poorest 5% of districts and in the richest 20% of districts as in the poorest 20% of districts, as long as you account for the different costs of educating children in these districts.

I appreciate the opportunity to speak to you today. I'd be happy to answer questions both about the fine points of the Texas school finance system as well as the relationship between these school finance issues and the real issues of quality education in America.

Thank you.

APPENDIX

EDGEWOOD V. KIRBY

BACKGROUND OF FACTS, LAW AND LEGAL HISTORY

In Edgewood v. Kirby the Texas Supreme Court has declared the Texas School Finance System unconstitutional under the Texas Constitution. The following is a summary of the relevant facts and history of this case.

FACTS

Texans spend a total of 11 billion dollars a year on financing public schools for 3 million students in 1060 school districts.

Size: The districts vary from 4 students to 200,000 students.

Wealth: The districts vary from 20 thousand dollars of property wealth per child to 14 million dollars of property wealth per child. The 300 thousand students in the richest districts have 25% of the state's property wealth to use to finance their education. The 300 thousand students in the poorest districts have 3% of the state's property wealth to use to finance their educations.

Expenditures:

Districts in Texas spend from $2,100 to $19,300 per student per year.

Tax Rates:

Taxes in Texas districts vary from $.08 to a $1.55.

Populations:

The low wealth districts have a high concentration of minority and low income students. They also have inferior facilities, programs, materials and program offerings.

Combination of Factors:

The 100 poorest districts in the State average $.74 tax rate and spend approximately $3,000 per student. The 100 richest districts in the State have a $.47 tax rate and spend approximately $7,200 a student.

System Weaknesses:

The system suffers from the following basic weaknesses:

1. The foundation school program that is designed to supply an adequate educational offering does not cover the cost of an adequate education and sends insufficient monies to poor districts.

2. All costs "above" the foundation school programs are paid from local taxes with widely varying property tax basis e.g. Edcouch-Elsa can raise $2 per student for a penny tax rate and Highland Park raises $100 per student for a penny tax rate. These extra monies are essential to a quality education but are only available to wealthy districts.

3. Children in low wealth districts, with the greatest educational needs suffer educationally because of the school finance system.

LEGAL HISTORY

The parties to the lawsuit:

Plaintiffs:

Plaintiffs are 13 low wealth school districts and 25 families residing in low wealth school districts. Plaintiffs include the Edgewood school district, and Demetrio Rodriguez, the subjects of the U. S. Supreme Court case involving school finance.

Plaintiff-Intervenors:

Plaintiff-Intervenors include 55 school districts and 4 families.

Defendants:

Defendants are State of Texas, State Board of Education, Commissioner Kirby, Comptroller Bullock and Attorney General Mattox.

Defendant-Intervenors:

Defendant-Intervenors are three groups of wealthy districts for a total of 49 districts including Highland Park in Dallas, Iraan-Sheffield, Eanes and many other oil-rich and suburban districts.

Texas' school finance system was the subject of the U. S. Supreme Court case San Antonio ISD v. Rodriguez which held that under the United States Constitution education is not a fundamental right, wealth is not a suspect category and the school finance system disparities are justified by local control.

Edgewood v. Kirby was filed under the Texas Constitution in State Court. It was filed in 1984 and amended in 1985 to address the issues of the new school finance plan, and tried before District Court Judge Harley Clark in Austin between January and April 1987. In June 1987 Judge Clark found the Texas School Finance System unconstitutional under the Texas Constitution, since:

a. The system denies equal protection to students and taxpayers in low wealth districts. Education is a fundamental right, wealth is a suspect category, and the school finance system is not justified and not substantially related or rationally related to a legitimate state interest.

b. The system is not efficient and violates the Texas Constitutional requirement that the Legislature "establish and make suitable provision for this support and maintenance of an efficient system of public free schools."

c. The District Court ordered the State to have a constitutional school finance plan by September 1989 to be implemented beginning no later than September 1990.

The State and wealthy districts appealed the case to the Austin Court of Appeals which held that the school finance system is constitutional because education is not a fundamental right, wealth is not a suspect category and the disparities in spending are justified by the public interest in local control. The Court of Appeals also found that the efficiency of the system is not a question subject to judicial review but is a legislative matter only.

The low wealth districts and residents appealed the Court of Appeals decision to the Texas Supreme Court which agreed to hear the case and did hear the case on July 5, 1989. The Texas Supreme Court held that the system violates the efficiency clause of the Texas Constitution. The legislature must design a new plan and implement it by May 1, 1990.

San Antonio AFL-CIO

317 N FLORES SAN ANTONIO TEXAS 78205 512 226-8447

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Doorkeeper

November 18, 1989

Dear Union Member:

It is our pleasure to send you a commemorative edition of the Edgewood vs. Kirby Supreme Court decision and the "Struggle for Equity in Education". This was prepared compliments of Frank Herrera, Attorney at Law.

We are also enclosing for your convenience, two (2) voter registration cards. If you need more, please call Jane Hibler at the AFL-CIO office, 226-8447, and she will be glad to send them to you.

I would like to call your attention to the fact that Jury selection is not based on voter registration any longer. This procedure has been changed and is now being drawn from your driver's license number.

Therefore, I hope you will register and exercise your right to vote in each and every election.

Happy Holidays!

Fraternally,

Gilbert Kissling
GILBERT KISSLING
President

GK/jeh
opeiu#120
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Chairman **Hawkins**. Thank you very much. I regret that we cannot pay the three lawyers present for their legal advice this morning. If we did, it surely would be a tremendous sum because it's been very, very valuable to the committee. We are very fortunate to have the three of you.

Governor Combs, in your testimony you did suggest a couple of things that we should address, the first of which was very well put. The second one, relating to the alternate use of funds—that is, the cut off of Federal funds for noncompliance—that is one of the fears that the Chair had. We have provided in section 104 that in those instances the funds would not be cut off but would be allocated directly to local educational agencies in the districts that had been denied equity, so that the children would not be the ones penalized or suffer from it. I didn't know whether or not you were aware of that.

Mr. **Combs**. No, I was not, Mr. Chairman. I think that's fine.

Chairman **Hawkins**. But your advice was certainly well-advised and I believe we have attempted to meet that objection to it.

I personally don't have any questions at this time, so let me turn to Mr. Perkins. I will share with you the pleasure that I've had in serving under two different Perkinses. It was a great privilege of mine. Dr Combs, you reflect that same common sense that both Perkinses have brought to this committee.

Mr. **Perkins**. Thank you, Mr. Chairman. I didn't know you were serving under me yet, but we'll try to work that out.

[Laughter.]

Let me be parochial for a minute here and just reflect that during Governor Combs' testimony he indicated that the Governor's proposed $780 million increase in Kentucky was probably not sufficient to actually achieve what he thought the Kentucky decision mandated. Realizing that it's a difficult thing to estimate—you have spent a number of years now, Governor, working on this particular issue—what kind of feel in terms of dollars do you think it is going to take to, in fact, equalize the school system in Kentucky?

Mr. **Combs**. Of course, I think we need to remember at the outset that the school districts who have been starved for money through the years cannot spend as much as might be necessary later on at the outset. I think it would be a mistake to give the districts too much money immediately, because then we might be counterproductive.

Just basically, Chris, my information is to equalize the system up to five percent of the top districts, which I think would be a reasonable goal.

Mr. **Perkins**. So you're saying a five percent variable would be your goal?

Mr. **Combs**. No. I'm talking about equalizing all districts up to what the top five percent now have.

Mr. **Perkins**. In constant dollars?

Mr. **Combs**. Yes, in terms of dollars. About $500 million.

Mr. **Perkins**. Additionally?

Mr. **Combs**. Additionally, for the biennium.

Mr. **Perkins**. For this biennium?

Mr. **Combs**. The present—the upcoming biennium, starting July 1.

Mr. **Perkins**. Okay. I thank you very much for that. I know it's a very difficult thing to estimate, and as you said, there are reasons for optimism for what we're seeing proposed in Kentucky.

I was very intrigued by the entire panel's discussion of the disparities and the 11 to 1 ratio in New Jersey. It was an excellent presentation given to us by the gentleman from Texas.

I wonder, in terms of—and I'm not trying to be so legalistic here as I am trying to talk more about the overall thrust of what the final product is going to be. I was referring to that really a little bit when I was talking to Governor Combs here a minute ago.

How great is the disparity that we should settle for in the end? I know you mentioned you would like to talk about that. How much actual difference should we have between the rich school districts and the poor districts when it all settles in? What should we be satisfied with?

Ms. **Morheuser**. In New Jersey, because of the history of failure following a successful lawsuit, we have asked the Supreme Court for very specific directives to the legislature as to what a statute that means constitutional standards must contain. One thing we have asked, in answer to your question, is that no more than five percent of all the moneys spent in the State be spent outside equalization, and no more than five percent of all the children in the State be outside coverage of straight equalization.

There have been some statements today about the level that the constitution requires. It is our position, based on past statements of the New Jersey Supreme Court, that the constitution in New Jersey requires high quality education for everyone. So there isn't a cut-off point.

As to the funding of that education, we have asked that the State begin by determining its cost. We have urged the court to point to specific, very wealthy districts that are also high achieving districts as examples of the cost. Indeed, in the trial of *Abbott* against *Burke*, the administrators from those districts were some of our best witnesses. They said this is what you need to deliver quality education; this is why we get the results we do. Our district would fail at the level of funding that those poor districts have.

Specifically, we have asked for what is similar to what the Fair Chance Act asks for, and that is no more than a five percent leeway in terms of children or dollars. We have not asked for anything in terms of taxpayer equity because the whole yield for effort has been the downfall of New Jersey funding to date, where the highest effort has been made now has the lowest yield. So we have asked the court to prohibit the use of a guaranteed tax based formula in the State and, rather, go to a formula that assures equal funding for equal needs across the State.

Does that answer your question?

Mr. **Perkins**. Yes, in a way.

Governor Combs indicated we have a disparity in Kentucky of $3,400 in Fayette County to $1,800 in McCreary County. You're saying that ultimately the bottom line is there shouldn't be a five percent difference there?

Ms. **Morheuser**. No more than five percent—We're asking no more than five percent of all the moneys spent in the State should be spent outside straight equalization.

Mr. **Perkins**. I understood that.

Ms. **Morheuser**. Equal funding for equal needs.

Mr. **Perkins**. I understood that. But let me put it in a different context. You're talking about the money to spend, how it's spent. I'm talking about the final product that you arrive at. In terms of that final product—Again, in Kentucky, the figures are $3,400—Are you saying that in the final analysis we should not be testing what is being spent on the pupil but, rather, we should utilize how the money is spent, or is there——

Ms. **Morheuser**. No, I'm talking about what you call the final product, the resources available.

Mr. **Perkins**. Okay, fine.

Ms. **Morheuser**. Absolutely. I think they can do a lot——

Mr. **Perkins**. So the final product is what you would advocate?

Ms. **Morheuser**. Right. I think the State can do a lot with its research to recommend efficiencies, some of which have been mentioned today. We have in New Jersey, for instance, many districts of 45 children, six grades, 45 children. Well, certainly there are economies of size that can be effected through consolidation of such districts.

Mr. **Perkins**. Quickly—and I know I'm running over my time here. I have one other question, and I thought this was a superb point that the gentleman from Texas brought out here. The disparities in need for educating different types of students, that was a key point that I thought I listened to here today. I would ask the gentleman if he has any ideas as to how we build that in as a mechanism to achieve that fairness in the disparities in background and how we would approach it.

Mr. **Kauffman**. To a great extent, I think you would probably have to rely on the States to do that, rather than doing that at the Federal level, although I must say I haven't spent much of my life being a States rights person. But I think you would have to, and here's my recommendation.

Each State basically has some formulas for giving extra money to children in various categories. Special education children get some more money; vocational ed children get some more money; limited English proficient, you name it, children behind level in reading. In each case, the school finance experts around can put all of that into one formula and come up with what they call a weighted student, which basically means that if, on average, a district needs or averages out about $3,000 a student, some districts are going to need $4,000 a student to provide just as good an education as $3,000 in another district, based on all of these formulas. In each State that can be done. You can come up with a summary figure on overall average in the State.

First of all, those students cost $2,000, the overall given our students, the average is $3-4,000. Then look at each district in the State——

Mr. **Perkins**. And then have the Federal Government in effect look at the State's figures and say "Hey, those are fair, those are not fair." But the differences are so great that really it has to be done on a——

Mr. **Kauffman**. I think that is true. It would have to be done by the State. But within the State system we feel there should be perfect equality. Once a State has figured out in it's own way the various weights to be given to the various formulas, then each district should have exactly the same opportunity to provide an education for its students based on its needs. We personally in our lawsuit at this time are allowing no leverage at all, no range at all. We're saying every district should have exactly the same opportunity to raise exactly the same funds at exactly the same tax rate.

Mr. **Perkins**. My time is up. If there are no further comments, I would return my time. I apologize because I'm going to have to leave. I have another appointment. I have very much enjoyed the presentation you have given us today. Thank you very much.

Chairman **Hawkins**. Mr. Smith.

Mr. **Smith**. Thank you, Mr. Chairman. I, too, would like to thank the three of you for your testimony.

Having spent the balance of my time with the first panel defending the honor of the great State of Vermont in what I consider to be terrible data, (See Appendix 1) I want to thank you for your substantive input on the table. In my mind, there are really three things that are going to make a difference in the quality of American education for every child. One is more money from the Federal level. The States and locals have put quite a bit in general on the table and this is one of the reasons I have supported and will continue to support shifting money from defense activities into not only broadly determined human services and people activities, but specifically into education.

The other way I happen to think has something to do with finding out enlightened ways to give teachers and people in schools more authority with accountability for what happens in their schools with students.

Third—and this is where my question comes—is the issue of financial equity or a level playing field among school districts. It is simply an essential thing that we have got to do.

At home, we have worked with—I am not a school finance person. I'm a school person but not a school finance person, nor am I an attorney, so you will have to forgive me—or congratulate me, whichever. We talk in terms of foundation funding. It is still giving us enormous trouble. This is a very slippery "beast" that people of good will are trying to wrestle with.

Two questions. One—and I was really thinking of Mr. Kauffman in the first case and all three of you in the second question. Do you see an opportunity to stipulate or to suggest that the State stipulate, on a State by State basis, what costs shall be included and what costs shall not be included when you're talking about education funding? The easiest example in a northern State, or a State that covers quite a bit of geography, would be the cost of heating oil or, as in our State, some of the hugest differentials are in transportation. I mean, an enormous differentiation. So can you see, as we encourage each State to adapt its own methodology for how to determine what a foundation or the amount that every child should have access to that you would stipulate that certain costs must be included and others either may not be or should be considered in a secondary category because of the idiosyncracies—I mean, honest to God idiosyncracies—in that State. Question number one.

Two, I am confused on whether there is disagreement or not, or whether I misunderstood, the issue of whether you would do what I would call—which is compel the top. By that I mean having identified that $4,500 or $5,000 a year as the amount of money that should be equalized to, that if a district then on top of that, regardless of the aid they get, wants to tax itself at a higher level to add to it, is that an appropriate thing on a community by community basis or inappropriate from your point of view. It's simply a confusion. So those are the two questions.

Mr. SMITH. I'll try those.

First, I think the State should not be able to state that a certain level is what is needed for children in our State, because the reason is that's such a very political decision that it will always depend on what funding is available in the State. One of the biggest problems we have in this area is that what the State considers adequate is not based on any sort of objective adequacy. Clearly, it's based on what the State can afford. So we would not agree with that.

What I was talking about in terms of the weight is a separate question. I am saying I would respect the individual State's determinations on the comparative cost in districts. In other words, if they say that district A costs basically 1.5 times as much as district B, because it has more rural areas with expensive busing, more special ed kids, I will believe that and I think you would almost have to accept that determination. I don't see how you're going to write any regulations that will enforce anything more.

What I would not agree with is that if a State says we feel that $3,000 per student is adequate for children in general in our State, we apply our 1.5 ratio, we find that this very high cost district with lots of special kids only needs $4,500, I would not agree with that. So there is an important difference. I would agree that the ratios are not with their levels.

Secondly, on your second question on compelling the top, that again is one of the major problems in this area, that once you allow the State to say that $4,000 a student is what we're aiming at, that's what we think is sufficient, but rich districts can go above that if they want, then you distort the system.

Mr. KAUFFMAN. That's right.

Mr. SMITH. Because above that $4,000 is where you run into the problem I told you about earlier, where if you need that $500 for the special dropout program, the rich districts can afford it and the poor districts can't. Wherever you set that level, after two or three years, we set the level at first, you give more money to poor districts, everybody is happy, and two or three years all of your costs are going up every year, two or three or four percent, depending, after three or four years the poor districts can't make it any more and the rich districts have the flexibility to go up. The State simply does not react every year to what is needed.

If you think you can give it to an objective committee of school finance experts, well, I'll leave that one to you. I don't think so, in my experience. If you let me pick the experts, I'll pick the numbers.

Ms. MORHEUSER. First of all as to transportation, again averting to the remedy we're seeking in New Jersey, we have urged that transportation costs, because they do vary so widely, because of unique conditions in districts, not be included in the equalization level or testing of equalization.

Secondly, as to local leeway, leveling out has been our aim in New Jersey. However, we are urging that no leeway be permitted at the local level, for a very simply political fact of life. That is, one reason situations such as those in New Jersey have developed is because we have in many States affluent, suburban dominated legislatures. As long as their districts may spend what they wish, the amount of money appropriated for education doesn't have to really meet children's needs, if the local districts can just do what they want. That's permitting them to act as if education is a private preserve and not a public good.

The testimony in *Abbott* indicated that in a foundation plan, if the foundation is high, then the tendency from year to year is for all those interested in education statewide to push together rather than against each other, to push together for a high level of funding. Also, somewhat different from what Mr. Kauffman described was the description in New Jersey on the record of *Abbott* against *Burke* of the foundation plan, and that part and parcel to it is the annual setting of a cost for education that must be met by the State.

Mr. SMITH. It's harsh medicine from the home of the town meeting, but I understand what you're saying and I have to admit that our experience with the foundation formula, as opposed to an equalization formula, just those two examples, we have found the foundation formula very quickly is very expensive and impossible to enforce. So we are immediately in Vermont, one, spending an enormous amount of more money, which from my point of view is exactly what we ought to be doing, and two, it is being distributed far more like a bell.

Ms. MORHEUSER. Mr. Smith, you may want to look at what has happened in Florida. A few years ago, Florida really moved toward a high foundation plan with cost-of-living adjustments, for instance, for various areas, and it seems to be working well.

Mr. SMITH. Thank you. I thank you all.

Mr. COMBS. Mr. Smith, I just want to make the point here that I believe I'm in some disagreement on this business of whether a district, be it rich or just half-rich, cannot exceed the constitutional level. I think there are districts that are not necessarily rich but just happen to be education-conscious that would want to go beyond what the constitution requires and provide more excellence for their children. This is one man's opinion, but I think you probably could not prevent them from doing that under the constitution.

I certainly don't want to get into any argument about the Texas constitution, but it uses the word "efficient," I believe, the same as Kentucky. So we both would have the same constitutional problem, I think.

Mr. SAWYER. [Presiding.] I have only one final question. You can pass on it if you care to.

Mr. Kauffman talked about the need to look closely at the top and bottom of each State's spectrum and to maintain a minimal amount of acceptable disparity among districts. Then you suggested, as I thought I heard you say, that Congress should put the burden on the States to demonstrate that measure of equity.

What kinds of consequences did you have in mind in the event the States could not?

Mr. **Kauffman**. I think what Congressman Hawkins was mentioning was that cutting off all Federal funding to the States probably would hurt the poor districts more than anyone, or certainly would hurt children all over. So I would support some system that said that until the State system was corrected, the Federal funds could only be used to those districts that needed it for equity purposes. That would be the only limitation I would put on it.

To some extent, of course, Federal funds are supplanted in the local districts, [illegible] they get Federal funds and save a little local money.

Mr. **Sawyer**. You wind up exacerbating the very problem you're trying to remedy.

Mr. **Kauffman**. Yes.

Ms. **Morheuser**. That's right.

Mr. **Kauffman**. So I would not support cutting off all the Federal funds, but I would say a remedy would be more like the moneys could only be used in those districts of very low property wealth or very low ability to raise money under the State system.

Ms. **Morheuser**. I would agree with that.

Mr. **Combs**. I would agree, except I think the effort that's being made would be a big factor. I believe we're in agreement on that.

Mr. **Sawyer**. Thank you all very much. I wish I could have been here for the entire panel, but it was marvelous.

If there is no further business, we stand adjourned.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

APPENDIX 1

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

January 17, 1990

TO : House Subcommittee on Elementary, Secondary, and Vocational Education
Attention: Jack Jennings

FROM : Wayne Riddle
Specialist in Education Finance
Education and Public Welfare Division

SUBJECT : **School Expenditure Variations in the States**

This memorandum was prepared in response to your request for information on the range of expenditures per pupil for public elementary and secondary education among local educational agencies (LEAs) in the States. This information was derived from data compiled by the U.S. Census Bureau's survey of LEA revenues and expenditures for school year 1986-87.[1] While this annual survey generally collects and reports data only for LEAs with enrollment of 5,000 or more pupils, the 1986-87 survey included all LEAs. We prepared the following table, which lists the LEA with the lowest and highest expenditure per pupil enrolled, by State and by type of LEA--e.g., elementary, secondary, or unified. LEAs are compared only to those of similar type because costs are generally higher for secondary than elementary education. Only expenditures for current operations are included, not capital expenditures for school construction, etc.

To avoid using marginal cases where expenditures per pupil are very high largely because the LEA's enrollment is quite small, we excluded unified LEAs with total enrollment of fewer than 500 pupils, and elementary or secondary LEAs with fewer than 250 pupils. Selection of these particular minimum enrollment levels is ultimately arbitrary. Use of lower thresholds would generally result in wider variation in expenditures per pupil within States, while use of higher thresholds would lead to less variation. We have included only LEA types for States where there are two or more LEAs of the indicated type that are of the minimum enrollment size.[2]

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[1] We obtained these data through the assistance of Larry MacDonald and Tim Antisdel of the Census Bureau.

[2] The two exceptions to this are the District of Columbia and Hawaii, that have single "state"--wide school finance systems.

Several limitations to the significance of these data must be emphasized. Differences in expenditures per pupil among LEAs in a State do not necessarily reflect differences of similar magnitude in the quantity or quality of educational resources available to pupils. Further, there is much debate over the relationships between either educational expenditures or resources and pupil achievement.

Major limitations to the expenditure data listed in table 1 are discussed briefly below.

- The pupil count used in these calculations is total fall enrollment; many State school finance systems are based on other types of pupil counts, such as average daily attendance. Differences in expenditures per enrolled pupil might be substantially reduced, or even eliminated, if average daily attendance were used as the pupil count instead.

- These calculations do not account for differences among LEAs in pupil needs, which in many cases are recognized by categorical State and Federal aid programs that provide additional funds to LEAs with high proportions of special needs pupils. For example, expenditures per pupil might be relatively high in an LEA because it has high numbers of handicapped, limited English-proficient, or poor children. There might also be additional costs associated with population sparsity or density, for which these calculations also do not account.

- There are significant differences among LEAs in a State in the costs of providing educational services. In particular, salaries for teachers and other staff vary widely among LEAs in many States. While salary variations might partially reflect differences in teacher "quality," they are also influenced by such factors as overall labor supply and demand conditions in each area, or the extent and effectiveness of teacher unions.

- There are certain problems with the data included in the Census Bureau survey. For example, State government expenditures for teacher retirement that are not passed through LEAs are excluded. There may be significant, unresolved differences in accounting for expenditures by different States and LEAs; e.g., differences in accounting for expenditures as "current" versus "capital," or as "elementary and secondary education" versus "adult education" expenditures. There may also be significant differences in State and local accounting periods.

- Some LEAs may serve special purposes with especially high or low costs. For example, some of the secondary LEAs listed in table 1 provide only vocational and technical education. We have excluded certain LEAs that serve only Indian reservations. Other LEAs may provide specific types of education of which we are unaware.

- All of these data apply to the 1986-87 school year, 3 years ago. Significant changes may have occurred in the disparity of expenditures per pupil among LEAs in a State since that time. Changes may also have occurred in LEA boundaries or structure since 1986-87.

- States may have made errors in collecting and reporting data to the Census Bureau, especially with respect to the LEAs with enrollment below 5,000, for which data is not usually published by the Census Bureau.

- Finally, many States' school finance systems are aimed toward equalizing the amount of funds that can be raised for a given tax rate, not equalizing the ultimate expenditure level. In such States, differences in expenditures per pupil may primarily reflect the preferences of voters, not differences in ability to pay.

Table 1 may be found on the following pages. For each State, the LEA with the lowest and highest expenditures per enrolled pupil are listed, by type of LEA in States where there are two or more LEAs of each type meeting the minimum size thresholds we applied. Some States have LEAs of a type not listed here because fewer than two such LEAs in the State met the size criterion. In States with elementary or secondary, as well as unified, LEAs, there may be substantial differences in the share of all pupils who are enrolled in each type of LEA. Only one LEA is listed for the District of Columbia and Hawaii because these have unitary school finance systems. Numbers following the names of certain LEAs are LEA numbers assigned by the State (e.g., Naco district number 23 in Arizona).

TABLE 1. Current Expenditures Per Enrolled Pupil, 1986-87 for Selected Local Educational Agencies

State	LEA type	LEA of this type with lowest expenditures per pupil in the State	Expenditure per pupil	LEA of this type with highest expenditures per pupil in the State	Expenditure per pupil
Alabama	unified	Fort Payne City	$1,731	Mt. Brook City	$3,126
Alaska	unified	Juneau Borough	5,576	North Slope Borough	20,982
Arizona	elementary	Naco (23)	2,039	Wilson (7)	5,217
	secondary	Tolleson (214)	1,901	Benson (9)	5,415
	unified	Oracle (2)	2,418	Cedar (25)	6,172
Arkansas	unified	Valley View	1,844	Newark	5,185
California	elementary	Norris	2,627	Orchard	6,651
	secondary	Orland	3,300	Taft	6,189
	unified	Denair	3,080	Trona	7,189
Colorado	unified	Buena Vista (R-31)	2,619	Rangely (RE-4)	6,239
Connecticut	elementary	Canterbury Town	3,322	Waterford Town	6,104
	secondary	Regional District 8	4,292	Regional District 9	6,995
	unified	Seymour Town	3,410	Weston	6,773
Delaware	secondary	Sussex Co. Voc.-Tech.	3,010	New Castle Co. Voc.-Tech.	6,088
	unified	Milford	3,504	Christina	4,797
District of Columbia	unified	District of Columbia	5,001	District of Columbia	5,001
Florida	unified	Clay County	3,066	Washington County	5,199
Georgia	elementary	Ben Hill County	1,648	Chattahoochee County	3,065
	unified	Chickamauga	2,017	Pelham	5,168
Hawaii	unified	Hawaii	3,129	Hawaii	3,129
Idaho	unified	Jefferson County	1,772	Lapwai (341)	3,776
Illinois	elementary	Germantown (60)	1,162	Salt Creek (48)	7,040
	secondary	St. Joseph Ogden Community	2,917	Seneca Township (160)	8,171
	unified	Marissa (40)	1,868	Byron (226)	5,833
Indiana	elementary	Etna Troy Community	1,845	Cass Township	3,293
	unified	Rising Sun-Ohio County Community	2,248	Salem Community	7,841
Iowa	unified	Stuart-Menlo Community	2,661	Western Dubuque Community	4,086
Kansas	unified	Mulvane (263)	2,509	Philipsburg	6,124
Kentucky	unified	Greenup County	1,762	Frankfort	4,063
Louisiana	unified	Livingston Parish	1,966	Cameron Parish	4,674

TABLE 1. Current Expenditures Per Enrolled Pupil, 1986-87
for Selected Local Educational Agencies--Continued

State	LEA type	LEA of this type with lowest expenditures per pupil in the State	Expenditure per pupil	LEA of this type with highest expenditures per pupil in the State	Expenditure per pupil
Maine	elementary	School Admin. Dis. 23 (Penobscot Co.)	$2,484	School Admin. Dis. 77 (Washington Co.)	$4,819
	secondary	Flanders Bay Community (904)	3,168	Maranacook Community (10)	4,397
	unified	School Admin. Dis. 39 (Oxford Co.)	1,326	Wiscasset Town	4,189
Maryland	unified	Carroll County	3,051	Montgomery County	5,008
Massachusetts	elementary	Rochester	2,604	Lincoln Town	7,026
	secondary	Greater Fall River Voc.-Tech.	3,681	Bristol Co. Agricultural	9,488
	unified	Douglas Town	2,836	Dover Sherborn Regional	9,349
Michigan	unified	Dearborn City	2,040	Lamphere	6,629
Minnesota	unified	Spring Valley	1,473	Red Lake (38)	7,253
Mississippi	secondary	Itawamba Co. Agricultural	1,527	Hinds Co. Agricultural	3,282
	unified	Pontotoc County	1,324	Claiborne County	4,018
Missouri	elementary	Laclede County (C5)	2,289	Lonedell (R14)	2,810
	unified	Trenton (R9)	1,927	Clayton	6,606
Montana	elementary	Florence-Carlton (15-6)	2,284	Helena (1)	9,376
	secondary	Superior (3)	1,460	Kalispell (5)	8,846
Nebraska	elementary	Schuyler City (2)	2,245	Kimball County (3)	3,719
	secondary	Schuyler Central	4,188	Northwest Hall County	9,547
	unified	Papillion-Lavista	2,588	Medicine Valley (125)	5,787
Nevada	unified	Clark County	3,182	Lincoln County	5,114
New Hampshire	elementary	Northwood Town	2,635	Hanover	11,477
	secondary	Profile	3,830	Winnacunnet Cooperative	4,469
	unified	Haverhill Cooperative	2,655	Berlin City	5,372
New Jersey	elementary	Laurel Springs Borough	2,081	Demarest Borough	12,556
	secondary	Bergen Co. Vocational	2,280	Somerset Co. Vocational	10,237
	unified	Monroe Township	3,309	Englewood City	7,437
New Mexico	unified	Hobbs	2,573	Springer	6,428
New York	secondary	Sewanhaka Central	6,634	Valley Stream Central	7,910
	unified	Corning City	3,091	Rotterdam-Draper Union	15,159
North Carolina	unified	Randolph County	2,623	Asheville City	3,985
North Dakota	unified	Surrey (41)	2,119	Mott (6)	4,888

TABLE 1. Current Expenditures Per Enrolled Pupil, 1986-87 for Selected Local Educational Agencies--Continued

State	LEA type	LEA of this type with lowest expenditures per pupil in the State	Expenditure per pupil	LEA of this type with highest expenditures per pupil in the State	Expenditure per pupil
Ohio	unified	Symmes Val Local	$2,282	Beachwood City	$11,118
Oklahoma	elementary	Lone Star (8)	2,060	Maryetta (22)	4,139
	unified	Drumright (39)	1,317	Red Rock (3)	6,184
Oregon	elementary	Stayton (77J)	2,651	Carus (29)	4,879
	secondary	Klamath Falls Union (2)	3,299	Stayton Union (4J)	4,978
	unified	Brookings-Harbor (17C)	2,702	Crow Apple Gate Lorane	6,298
Pennsylvania	unified	Juniata County	2,404	Wissahickon	6,974
Rhode Island	elementary	Glocester	3,596	Little Compton Town	6,562
	unified	Central Falls	3,524	East Greenwich	5,134
South Carolina	unified	Clarendon County (2)	2,301	Calhoun County (1)	3,606
South Dakota	unified	Eagle Butte (20-1)	2,323	Shannon County (65-1)	6,152
Tennessee	elementary	Alamo Town	1,556	Carroll County	3,946
	unified	Macon County	1,680	Oak Ridge Town	3,676
Texas	elementary	Rice Independent (911)	2,030	Lovejoy Independent (919)	4,344
	unified	Jasper Independent	1,207	Sundown Independent	7,109
Utah	unified	Washington County	2,067	San Juan County	4,160
Vermont	elementary	Huntington	1,107	Charlotte Town	6,817
	secondary	Mill River Union (40)	2,945	Mt. Mansfield Union	7,886
	unified	Hardwick Town	1,984	Essex Junction	6,516
Virginia	unified	Halifax County	1,746	Falls Church City	6,508
Washington	elementary	McCleary (65)	2,790	Union Gap (2)	5,701
	unified	La Center (101)	2,780	Bainbridge Island (303)	5,787
West Virginia	unified	Logan County	2,750	Pleasants County	4,188
Wisconsin	elementary	Neosho Joint (3)	2,933	Fox Point Bayside	6,930
	secondary	Waterford Union	3,646	Nicolet	6,970
	unified	Denmark Village Joint	2,811	Whitnall	6,421
Wyoming	elementary	Fremont County (38)	6,208	Fremont County (21)	5,980
	unified	Natrona County (1)	4,146	Fremont County (14)	9,758

It might be instructive to examine the ranges in differences in expenditures per pupil listed in table 1, keeping in mind the many limitations of these data that were discussed on pages 1-3. We have calculated a "disparity ratio" as the ratio of the expenditure per pupil for the highest LEA per State and type of LEA listed above, divided by the expenditure per pupil for the lowest LEA. This ratio will always be equal to 1.00 or above; the higher the ratio, the greater is the disparity in expenditures per pupil among LEAs in the State, again given the data limitations and our exclusion of LEAs below 500/250 enrollment. The number of State/LEA type cases[3] with disparity ratios in selected ranges are listed in table 2, below.

TABLE 2. Number of State/LEA Type Cases with Expenditure Disparity Ratios in Selected Ranges

Disparity ratio range	Number of State/LEA type cases
1.00	2
1.01-1.49	11
1.50-1.99	19
2.00-2.49	22
2.50-2.99	11
3.00-3.99	9
4.00-4.99	8
5.00 and above	6

Thus, based on these limited data, there would appear to have been substantial disparity in expenditures per pupil in most States in 1986-87. In more than one-half of the State/LEA type cases listed in table 1, the disparity ratio is 2.00 or higher. In approximately one-third of the cases, the disparity ratio is 3.00 or above. States with the *lowest disparity ratios*, below 1.49, include: Hawaii, the District of Columbia, Connecticut (secondary LEAs), Delaware (unified), Indiana (elementary), Maine (secondary), Missouri (elementary), New Hampshire (secondary), New York (secondary), Oregon (secondary), Rhode Island (unified), Washington (elementary), and Wyoming (elementary). States with the *highest disparity ratios*, 5.00 or above, include: Illinois (elementary), Montana (secondary), New Jersey (elementary), Texas (unified), and Vermont (elementary and secondary).

We hope that you find this information to be of assistance.

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[3] I.e., the elementary LEAs in Illinois are one State/LEA type case, the unified LEAs in Illinois are a second case, etc. There are a total of 88 such cases in table 1.

This is a FAST RESPONSE report

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

File: Master\CE&ADM
Revised: 12-Sep-89 08:50 AM
By: GLC

CD	SU		District	(1) 1981-82	(2) 1982-83	(3) 1983-84	(4) 1984-85	(5) 1985-86	(6) 1986-87	(7) 1987-88
			CE	205,154,857	226,073,572	244,821,959	265,600,671	290,518,845	311,682,402	349,363,839
			ADM	97,476.26	94,585.95	89,561.39	93,430.05	94,163.51	94,913.32	96,057.41
			CE/ADM	2,105	2,[illegible]	2,734	2,8[illegible]	3,085	3,283	3,636
01	02	001	Addison	1,479	2,030	2,432	2,430	2,733	2,850	4,309
10	34	002	Albany	1,855	1,973	2,177	2,352	2,785	2,939	3,130
07	26	003	Alburg	1,931	1,874	2,432	2,602	2,805	3,157	3,680
14	53	004	Andover	2,639	2,513	2,931	3,176	2,606	3,177	3,770
02	05	005	Arlington	1,496	2,320	2,675	2,762	3,327	2,451	3,287
13	47	006	Athens	1,879	2,084	2,322	2,187	1,995	2,838	3,467
06	20	007	Bakersfield	1,764	2,017	2,492	2,650	2,995	2,585	3,710
14	53	008	Baltimore	1,445	1,975	2,456	1,965	2,509	2,515	2,881
14	51	009	Barnard	2,415	2,756	3,041	3,149	3,439	3,099	3,771
03	09	010	Barnet	2,026	2,280	2,537	2,853	2,781	3,023	3,064
12	44	011	Barre City	1,890	2,230	2,724	2,657	2,759	3,395	3,734
12	58	012	Barre Town	2,067	2,411	2,580	2,701	3,020	2,961	3,204
10	34	013	Barton ID	2,071	2,196	2,374	2,710	2,981	3,128	3,152
08	25	014	Belvidere	2,133	2,532	2,701	2,970	2,717	3,162	3,049
02	05	015	Bennington ID	1,971	2,287	2,606	2,609	3,272	3,214	3,624
11	04	017	Benson	1,762	2,058	2,136	2,364	2,450	2,586	3,073
06	20	018	Berkshire	1,723	2,062	2,316	2,480	2,763	3,087	3,142
12	32	019	Berlin	2,600	2,600	3,216	3,266	3,368	3,737	3,870
14	50	020	Bethel	1,743	1,984	2,202	2,447	2,636	2,726	3,270
05	19	021	Bloomfield	2,159	1,951	2,258	2,476	2,510	2,480	2,657
06	12	022	Bolton	2,087	2,118	2,506	2,683	3,159	3,524	3,176
09	27	023	Bradford ID	1,826	2,170	2,507	2,394	3,125	3,205	3,680
09	28	024	Braintree	1,965	1,695	2,419	2,350	2,566	2,770	3,310
11	36	025	Brandon	1,910	2,170	2,348	2,560	2,601	2,801	3,157
13	48	027	Brattleboro	2,254	2,610	3,105	3,232	3,021	3,923	4,287
14	51	028	Bridgewater	2,448	2,811	3,134	2,926	2,937	3,508	4,243
01	03	029	Bridport	1,742	2,060	2,444	2,980	3,199	3,370	3,625
05	31	030	Brighton	1,585	1,844	2,131	2,337	2,555	2,516	2,980
01	01	031	Bristol	1,738	1,912	2,318	2,601	2,532	3,013	3,719
09	28	032	Brookfield	2,457	2,533	2,880	3,038	2,799	3,295	3,685
13	46	033	Brookline	2,095	2,234	2,397	2,150	2,695	3,168	3,781
10	34	034	Brownington	1,982	2,520	2,411	2,480	3,330	3,634	3,862
05	19	035	Brunswick	2,326	2,766	2,663	2,502	2,463	2,827	2,607
03	08	036	Burke	1,731	1,948	2,325	2,667	2,854	2,916	3,138
04	15	037	Burlington	2,139	2,708	2,932	3,026	3,063	3,373	3,860
12	41	038	Cabot							
				2,519	3,152	3,219	3,368	3,515	3,543	4,112

Ordered by District Number

PRELIMINARY REPORT

135

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

File: Master\CE&ADM
Revised: 12-Sep-89 08:50 AM
By: GLC

CO	SU		District		(1) 1981-82	(2) 1982-83	(3) 1983-84	(4) 1984-85	(5) 1985-86	(6) 1986-87	(7) 1987-88
				CE	205,156,657	226,075,572	244,821,990	265,600,671	290,510,865	311,632,492	349,263,839
				ADM	97,474.26	94,385.95	88,561.39	93,438.03	94,163.51	94,915.32	96,057.41
				CE/ADM	2,105	2,390	2,734	2,844	3,085	3,283	3,636
12	32	039	Calais		1,906	2,115	2,522	2,441	3,125	3,481	3,591
08	25	040	Cambridge		2,230	1,988	2,759	2,056	2,311	2,982	2,954
05	19	041	Canaan		1,933	1,978	2,262	2,546	2,662	2,418	3,131
11	06	042	Castleton		2,189	2,530	2,450	2,633	2,860	3,015	3,180
14	53	043	Cavendish		2,375	2,578	2,766	3,305	3,260	3,532	3,776
10	31	044	Charleston		1,621	1,860	1,931	1,865	2,673	2,322	3,306
04	14	045	Charlotte		2,524	2,875	3,447	3,753	3,901	4,336	4,610
09	30	046	Chelsea		2,068	1,819	2,162	2,260	2,122	2,603	3,026
14	53	047	Chester		2,393	2,614	2,871	3,090	2,776	3,239	3,726
11	36	048	Chittenden		2,203	2,411	3,067	2,863	3,160	3,215	3,483
11	33	049	Clarendon		1,720	2,011	2,096	2,186	2,262	2,600	2,837
04	07	050	Colchester		1,881	2,189	2,431	2,662	2,603	2,833	3,323
05	18	051	Concord		1,566	1,570	2,239	2,102	2,226	2,565	2,988
09	27	052	Corinth		1,525	1,804	2,050	2,316	2,444	2,955	3,447
01	03	053	Cornwall		1,945	2,517	2,013	2,096	2,720	3,458	3,877
10	31	054	Coventry		1,849	2,214	2,631	2,444	2,964	2,575	2,900
10	35	055	Craftsbury		2,635	2,898	3,419	3,952	4,321	4,697	4,918
11	06	056	Danby		1,806	2,106	2,543	2,581	2,923	3,641	3,706
03	09	057	Danville		1,977	2,166	2,371	2,636	2,666	2,607	3,036
10	31	058	Derby		1,965	2,377	2,503	2,651	2,772	2,925	3,113
02	06	059	Dorset		2,298	2,530	2,994	3,329	3,627	4,263	4,862
13	46	060	Dover		2,757	2,646	2,986	3,147	3,566	3,563	3,964
13	48	061	Dummerston		2,181	2,314	2,609	2,980	3,349	3,628	3,860
12	42	063	Duxbury		1,822	1,953	2,308	2,709	2,954	3,506	3,861
05	08	064	East Haven		1,455	1,730	1,835	1,982	2,453	2,710	3,275
12	32	065	East Montpelier		2,289	2,706	2,865	3,896	3,439	3,705	3,989
08	25	066	Eden		1,612	2,868	2,232	2,279	2,608	2,817	2,961
08	26	067	Elmore		1,662	1,670	2,111	2,350	2,232	2,869	3,476
06	20	068	Enosburg Falls ID		1,817	2,305	2,661	2,534	2,838	2,992	3,831
04	13	069	Essex Junction ID		3,601	4,315	5,083	4,820	5,002	5,868	5,425
04	59	070	Essex Town		2,431	2,873	3,309	3,639	4,065	4,223	4,906
06	22	071	Fairfax		2,010	2,269	2,570	2,602	2,721	2,709	3,082
06	23	072	Fairfield		1,921	2,207	2,507	2,563	2,837	3,158	2,644
11	04	073	Fair Haven		1,969	2,015	2,292	2,508	2,701	2,832	2,961
09	27	074	Fairlee		2,236	2,370	2,567	2,761	2,735	3,280	3,752
12	42	075	Fayston		2,767	3,208	3,270	3,528	3,770	3,729	3,831

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Printed 13-Sep-89

This is a FAST RESPONSE report

Printed 13-Sep-89

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

File: Master\CEADM
Revised: 12-Sep-89 08:50 am
By: GLC

CO	SU		District		(1) 1981-82	(2) 1982-83	(3) 1983-84	(4) 1984-85	(5) 1985-86	(6) 1986-87	(7) 1987-88
				CE	205,154,657	226,073,572	244,821,950	268,608,671	290,518,045	311,632,402	349,263,039
				ADM	97,474.24	94,505.95	89,561.30	93,430.05	94,163.51	94,913.32	96,057.61
				CE/ADM	2,105	2,392	2,734	2,875	3,085	3,283	3,636
01	02	076	Ferrisburg		1,875	2,238	2,707	2,682	3,015	3,241	3,088
06	25	077	Fletcher		1,756	1,996	2,325	2,590	2,803	2,675	3,105
06	21	078	Franklin		1,869	2,127	2,572	2,684	2,863	2,740	2,882
06	22	079	Georgia		1,886	2,072	2,355	2,513	2,779	2,958	3,094
10	34	080	Glover		1,960	2,211	2,600	2,527	2,671	3,553	3,391
01	36	081	Goshen		2,125	1,832	2,541	2,372	3,285	2,958	3,161
13	47	082	Grafton		1,868	2,506	2,805	2,895	3,480	3,459	3,776
05	18	083	Granby		2,005	2,330	2,356	2,080	2,064	2,457	3,708
07	24	084	Grand Isle		2,206	2,220	2,642	2,920	3,048	3,416	3,978
01	58	085	Granville		1,762	2,162	2,560	2,419	2,980	2,446	3,148
10	35	086	Greensboro		2,190	2,408	2,750	2,855	2,887	3,103	4,286
03	57	087	Groton		1,943	2,252	2,703	2,809	2,956	3,175	3,395
05	18	088	Guildhall		2,008	2,547	3,296	3,255	3,150	2,910	2,728
13	48	089	Guilford		2,071	2,477	2,360	2,727	2,718	3,315	3,534
13	49	090	Halifax		1,937	2,158	2,372	2,572	2,608	2,834	3,811
01	58	091	Hancock		1,662	2,026	3,020	2,509	3,053	4,110	3,930
03	35	092	Hardwick		2,621	2,201	2,570	2,604	2,926	3,253	3,868
14	54	093	Hartford		2,331	2,713	3,023	2,916	3,013	3,192	3,298
14	52	094	Hartland		1,866	2,089	2,457	2,738	2,752	3,040	3,367
06	21	095	Highgate		1,889	2,068	2,381	2,354	2,626	2,526	2,976
04	14	096	Hinesburg		2,367	2,404	3,068	2,966	3,261	4,050	4,267
10	31	097	Holland		1,934	2,153	2,530	2,992	3,208	3,180	3,215
11	04	098	Hubbardton		2,016	2,255	2,766	2,688	2,915	3,280	3,271
04	12	099	Huntington		1,702	2,108	2,336	2,568	2,801	3,234	3,498
08	25	100	Hyde Park		1,398	1,702	1,960	2,158	2,971	2,901	3,191
11	38	101	Ira		1,764	1,995	2,180	2,304	2,338	2,646	2,868
10	34	102	Irasburg		2,571	2,755	2,740	3,061	3,196	3,150	3,086
07	24	103	Isle La Motte		2,096	2,334	2,401	1,886	2,713	2,581	3,173
13	46	104	Jamaica		1,928	2,576	2,961	3,226	3,235	4,056	3,230
10	31	105	Jay		2,468	2,340	2,812	2,671	2,528	2,435	3,346
04	12	106	Jericho		2,006	2,355	2,516	2,751	3,165	3,652	3,929
08	25	107	Johnson		1,456	1,715	2,076	2,178	2,355	2,462	2,968
03	18	108	Kirby		1,753	1,852	1,896	2,449	2,097	2,630	2,956
02	53	109	Landgrove		2,282	2,514	2,970	2,985	3,541	4,348	4,266
01	36	110	Leicester		2,190	2,261	2,108	2,526	3,038	2,848	2,983
05	18	111	Lemington		2,518	2,621	3,113	2,701	3,180	3,815	3,507

Ordered by District Number

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Printed 13-Sep-89

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Printed 13-Sep-89

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

File: Master\CEADM
Revised: 12-Sep-89 08:59 am
By: GLC

CO	SU	District		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
			CE	205,154,657	226,875,572	244,821,959	265,608,671	290,518,845	311,632,492	349,261,839
			ADM	97,476.26	94,585.95	89,561.39	93,430.05	94,163.51	94,913.32	96,047.61
			CE/ADM	2,105	2,398	2,734	2,844	3,085	3,283	3,636
01	01	112 Lincoln		1,795	2,092	2,526	2,988	2,958	2,972	3,588
13	53	113 Londonderry		2,388	2,834	3,216	3,220	3,410	3,702	4,309
10	31	114 Lowell		1,777	2,087	2,696	2,522	3,165	3,374	2,794
14	39	115 Ludlow		2,658	2,958	3,278	3,163	3,878	3,986	4,266
05	18	116 Lunenburg		1,946	2,069	2,226	2,308	2,445	2,881	3,245
03	08	117 Lyndon		1,852	1,777	2,173	2,421	2,696	2,825	3,025
05	18	118 Maidstone		2,366	2,232	2,461	2,412	2,663	1,967	3,417
02	06	119 Manchester		2,352	2,533	2,963	3,366	3,088	4,305	4,906
13	46	120 Marlboro		1,836	1,938	2,226	2,320	2,399	3,051	3,635
12	41	121 Marshfield		1,952	2,283	2,530	2,711	3,108	3,308	3,863
11	36	122 Mendon		2,009	2,487	3,085	2,867	3,232	3,724	3,629
01	03	123 Middlebury ID		2,163	2,313	2,503	2,900	3,671	3,523	3,837
12	32	124 Middlesex		1,893	2,073	2,652	2,806	3,287	3,489	3,516
11	38	125 Middletown Springs		1,959	2,094	2,356	2,952	2,510	2,710	3,166
04	10	126 Milton ID		1,673	1,945	2,229	2,188	2,383	2,437	3,266
01	01	127 Monkton		1,752	2,108	2,460	2,582	2,816	3,036	1,665
06	29	128 Montgomery		2,622	2,705	2,718	2,846	3,089	3,106	3,501
12	45	129 Montpelier		2,395	2,729	3,054	3,237	3,233	3,541	3,760
12	42	130 Moretown		2,085	2,366	2,659	3,052	2,996	3,225	3,714
10	31	131 Morgan		1,958	2,062	2,200	2,439	2,891	3,066	3,666
08	26	132 Morristown		1,611	1,886	2,167	2,277	2,635	2,967	3,113
11	39	133 Mt. Holly		2,237	2,217	2,516	2,421	3,069	2,930	3,538
11	06	134 Mt. Tabor		1,576	1,958	2,165	2,431	2,940	3,021	4,276
03	08	135 Newark		1,550	1,474	2,127	1,896	2,387	2,265	2,875
09	27	136 Newbury		2,075	2,541	3,171	3,113	2,987	3,370	3,789
13	46	137 Newfane		2,186	2,658	2,093	3,158	3,942	4,102	4,060
01	01	138 New Haven		1,950	2,239	2,532	2,585	2,823	3,160	1,863
10	31	139 Newport City		2,087	2,087	2,468	2,679	2,995	3,101	3,235
10	31	140 Newport Town		2,108	2,170	2,112	2,664	2,516	2,136	2,287
02	05	141 North Bennington ID		1,958	2,127	2,223	2,486	2,714	3,422	3,382
12	43	142 Northfield		1,875	2,025	2,335	2,315	2,548	2,789	3,113
07	24	143 North Hero		2,012	2,039	2,471	2,376	3,269	3,316	4,140
05	19	144 Norton		2,416	2,759	3,633	3,154	3,035	3,130	3,013
14	55	145 Norwich		2,791	2,948	3,556	3,633	3,780	3,953	4,445
09	29	146 Orange		2,205	2,590	3,009	2,795	2,891	3,151	3,307
10	34	147 Orleans ID		2,127	2,297	3,053	2,920	3,315	3,410	3,082

Ordered by District Number

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

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Revised: 12-Sep-89 08:59 AM
By: GLC

CO	SU	District		(1)	(2)	(3)	(4)	(5)	(6)	(7)
				1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
			CE	205,154,657	226,075,372	244,821,959	265,688,671	290,518,845	311,632,692	349,263,839
			ADM	97,474.26	94,585.95	89,561.39	93,430.05	94,163.51	94,913.32	96,057.41
			CE/ADM	2,105	2,390	2,734	2,844	3,085	3,283	3,636
01	04	148 Orwell		2,108	2,467	2,543	2,681	3,016	3,088	3,698
01	02	149 Panton		2,126	2,188	2,299	2,667	2,938	3,560	3,716
11	06	150 Pawlet		1,798	1,876	2,357	2,389	2,443	2,856	3,203
05	09	151 Peacham		2,029	2,117	2,586	3,097	2,906	2,788	3,265
02	53	152 Peru		2,404	2,723	2,982	2,978	3,505	3,697	4,100
11	50	153 Pittsfield		1,529	2,345	2,657	2,822	3,228	3,250	3,454
11	36	154 Pittsford		2,028	2,226	2,595	2,703	2,994	3,309	3,557
12	41	155 Plainfield		2,012	2,277	2,656	2,711	3,108	3,389	3,863
14	39	156 Plymouth		2,416	2,753	3,886	4,095	3,756	4,400	4,510
14	51	157 Pomfret		2,729	2,837	2,831	2,838	2,927	3,571	3,611
11	38	158 Poultney		2,003	2,390	2,761	2,823	3,082	3,572	3,941
02	05	159 Pownal		1,905	2,299	2,376	2,691	2,682	2,880	3,208
11	37	160 Proctor		1,990	2,452	2,655	3,104	3,499	3,495	4,300
13	48	161 Putney		2,322	2,550	2,990	3,080	3,030	3,396	3,765
09	28	162 Randolph		1,888	2,206	2,750	2,725	3,153	3,335	3,497
14	51	163 Reading		2,438	2,302	2,604	3,157	3,262	3,891	3,879
02	49	164 Readsboro		2,596	2,960	3,056	2,915	2,867	2,877	3,016
06	20	165 Richford		1,490	1,742	2,127	2,269	2,653	2,858	3,205
04	12	166 Richmond		1,928	2,153	2,560	2,823	3,233	3,407	3,866
01	03	167 Ripton		1,869	2,103	2,874	2,923	3,392	4,348	4,444
14	50	168 Rochester		2,208	2,715	2,929	3,265	3,503	4,366	4,309
13	47	169 Rockingham		2,425	2,680	3,249	3,197	3,297	3,454	3,520
12	43	170 Roxbury		2,027	2,138	2,419	2,820	2,255	2,633	2,636
14	30	171 Royalton		1,765	1,823	2,122	2,812	2,098	2,349	2,850
02	06	172 Rupert		2,091	1,823	2,562	2,529	2,876	2,935	3,712
11	40	173 Rutland City		1,955	2,116	2,687	2,646	2,688	2,581	3,598
11	37	174 Rutland Town		2,246	2,309	2,648	2,914	3,223	3,639	3,834
03	57	175 Ryegate		1,759	2,265	2,713	2,808	2,956	3,176	3,392
06	23	176 St. Albans City		1,695	1,983	2,253	2,408	2,807	3,395	3,150
06	23	177 St. Albans Town		2,262	2,760	2,712	3,130	3,236	3,854	3,762
04	14	178 St. George		2,135	2,372	2,868	3,333	4,345	3,918	5,012
03	11	179 St. Johnsbury		2,052	2,265	2,398	2,551	2,994	2,784	2,763
01	03	180 Salisbury		1,769	2,088	2,401	2,780	3,252	4,021	4,298
02	06	181 Sandgate		2,207	2,311	2,433	2,850	2,780	3,342	3,804
02	49	182 Searsburg		2,224	2,929	3,229	3,198	2,671	5,869	4,232
02	05	183 Shaftsbury		2,311	2,254	2,601	2,608	2,649	3,077	3,367

This is a FAST RESPONSE report

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

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CO	SU		District		(1) 1981-82	(2) 1982-83	(3) 1983-84	(4) 1984-85	(5) 1985-86	(6) 1986-87	(7) 1987-88
				CE	205,154,657	226,075,572	264,821,959	265,688,671	290,518,845	311,432,492	340,243,830
				ADM	97,474.26	94,585.95	89,561.39	93,430.05	94,163.51	94,913.32	96,057.41
				CE/ADM	2,105	2,390	2,734	2,844	3,085	3,283	3,636
14	30	184	Sharon		2,243	2,120	2,253	2,213	2,582	2,619	3,343
03	08	185	Sheffield		1,600	1,665	1,868	2,305	2,286	2,375	2,759
04	14	186	Shelburne		2,624	2,962	3,336	3,407	3,606	4,168	4,087
06	21	187	Sheldon		1,981	2,056	2,554	2,383	2,907	3,140	3,299
11	51	188	Sherburne		3,331	3,571	3,845	4,348	4,316	4,667	5,837
01	05	189	Shoreham		2,217	2,508	3,360	3,249	3,430	3,933	4,355
11	33	190	Shrewsbury		1,690	1,870	2,419	2,256	2,288	2,776	3,125
04	16	191	South Burlington		2,912	3,500	3,867	4,229	4,465	4,723	5,138
07	24	192	South Hero		2,053	2,316	2,583	2,700	3,067	3,128	3,566
14	54	193	Springfield		2,596	2,798	3,001	2,919	3,132	3,287	3,379
02	49	194	Stamford		2,166	2,960	2,943	2,965	3,416	3,587	3,466
03	35	195	Stannard		2,086	2,563	2,795	2,591	2,961	2,911	3,108
01	01	196	Starksboro		1,656	1,935	2,309	2,459	2,577	3,166	1,787
14	50	197	Stockbridge		1,794	2,378	2,705	2,886	2,635	3,157	2,769
08	26	198	Stowe		3,156	3,990	4,466	4,560	4,759	5,143	5,361
09	30	199	Strafford		1,888	2,030	2,511	2,426	2,706	2,125	3,090
13	46	200	Stratton		2,441	3,197	3,682	3,644	3,326	3,187	5,811
11	36	201	Sudbury		1,736	1,652	2,086	2,107	2,544	3,095	5,301
02	06	202	Sunderland		2,114	2,191	2,555	2,857	3,216	3,703	4,402
03	08	203	Sutton		1,496	1,606	2,010	2,172	2,112	2,647	2,491
06	21	204	Swanton		1,706	1,934	2,199	2,192	2,288	2,454	2,752
09	27	205	Thetford		2,138	2,362	2,709	2,791	3,121	3,483	4,180
11	38	206	Tinmouth		1,859	2,153	2,262	2,608	2,269	2,465	2,873
09	27	207	Topsham		1,769	1,981	2,416	2,316	2,444	2,955	3,442
13	46	208	Townshend		2,166	2,716	2,353	2,717	2,764	3,361	4,010
10	31	209	Troy		1,532	1,811	2,105	2,295	2,432	2,400	2,486
09	30	210	Tunbridge		1,696	1,744	1,951	1,972	2,248	2,334	2,631
04	12	211	Underhill ID		1,986	2,181	2,717	3,113	3,336	3,762	4,080
04	12	212	Underhill Town		1,843	2,073	2,463	2,547	2,691	3,042	3,786
01	02	213	Vergennes ID		1,898	2,270	2,869	2,755	3,026	2,532	3,356
13	48	214	Vernon		2,667	3,089	3,737	3,985	4,282	4,568	3,294
09	27	215	Vershire		1,981	2,490	3,107	2,986	3,396	2,962	4,100
05	18	216	Victory		1,644	1,715	2,198	2,246	2,732	3,024	3,155
12	42	217	Waitsfield		2,101	2,337	2,977	3,399	3,357	3,796	4,014
03	09	218	Walden		1,455	1,749	1,982	2,053	2,343	2,283	2,811
11	53	219	Wallingford		1,730	2,082	2,434	2,575	2,546	3,136	3,311

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Ordered by District Number

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

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			(1)	(2)	(3)	(4)	(5)	(6)	(7)
			1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
		CE	205,154,057	226,073,572	244,821,959	265,488,671	290,518,845	311,632,492	349,243,830
		ADM	97,474.26	94,585.95	89,561.39	93,430.05	94,163.51	94,913.32	96,057.41
CO SU	District	CE/ADM	2,105	2,390	2,734	2,844	3,085	3,283	3,636
01 02	220	Waltham	1,825	2,292	2,609	2,676	3,112	3,546	4,034
13 46	221	Wardsboro	1,799	2,148	2,541	2,437	2,610	2,685	3,703
12 42	222	Warren	2,952	3,409	4,072	4,772	5,176	4,387	5,423
09 29	223	Washington	1,765	2,154	2,538	2,674	2,815	3,051	3,888
12 42	224	Waterbury	2,079	2,403	2,764	2,891	3,134	3,481	3,885
03 18	225	Waterford	2,154	2,164	2,963	2,756	2,498	3,084	3,215
08 25	226	Waterville	1,544	1,711	1,960	1,995	2,271	2,832	2,768
14 52	227	Weathersfield	2,077	2,229	2,543	2,629	2,947	3,169	3,712
11 58	228	Wells	1,395	1,642	2,237	2,036	2,119	2,619	3,059
09 57	229	Wells River	2,073	2,151	2,547	2,808	2,956	3,175	3,373
09 27	230	West Fairlee	1,954	2,323	2,436	3,195	2,988	3,577	3,860
10 31	231	Westfield	1,882	1,962	2,737	2,736	3,455	3,357	3,569
04 13	232	Westford	1,961	2,249	2,585	2,996	3,310	3,314	3,500
11 06	233	West Haven	1,831	2,611	2,373	2,088	2,507	3,253	3,690
13 47	234	Westminster	2,173	2,405	2,723	2,702	3,096	2,983	3,371
10 34	235	Westmore	2,378	2,281	2,696	3,018	3,130	3,492	3,415
14 53	236	Weston	2,549	2,813	3,339	3,219	3,599	3,335	3,971
11 37	237	West Rutland	1,970	2,049	2,348	2,592	3,058	3,482	3,964
14 52	238	West Windsor	2,036	2,427	2,475	2,218	2,732	3,033	3,419
01 03	239	Weybridge	1,766	2,225	2,678	3,389	3,113	4,090	4,387
05 08	240	Wheelock	1,582	1,728	2,166	2,303	2,286	2,376	2,758
01 36	241	Whiting	2,342	2,356	2,732	2,808	2,915	2,926	3,242
13 49	242	Whitingham	2,683	3,712	4,649	4,363	5,133	5,343	3,834
09 29	243	Williamstown	1,914	2,162	2,683	3,065	3,209	3,454	3,218
04 14	244	Williston	2,468	2,740	3,512	3,611	3,811	4,084	4,536
13 49	245	Wilmington	3,078	3,631	4,247	4,386	4,387	4,450	4,218
13 46	246	Windham	1,948	1,975	3,585	3,080	3,760	4,668	4,659
14 52	247	Windsor	2,103	2,332	2,560	2,735	3,209	3,218	4,048
02 46	248	Winhall	3,386	3,412	3,099	2,921	4,571	4,181	5,310
04 17	249	Winooski ID	2,387	2,876	3,267	2,952	3,406	3,270	3,573
08 35	250	Wolcott	1,867	1,863	2,394	2,529	3,058	2,603	3,074
12 35	251	Woodbury	1,879	2,098	2,625	2,919	2,928	3,903	3,997
02 05	252	Woodford	1,602	2,048	2,477	2,109	1,916	2,913	2,299
14 51	253	Woodstock	2,507	2,782	3,222	3,430	3,650	3,756	4,033
12 32	254	Worcester	2,037	2,091	2,413	2,732	3,068	3,378	3,679

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Printed 13-Sep-89

This is a FAST RESPONSE report

Printed 13-Sep-89

PRELIMINARY REPORT

STATE DEPARTMENT OF EDUCATION
Statistics & Information Unit

CURRENT EXPENSE per PUPIL in ADM

File: Master\CEADM
Revised: 12-Sep-89 08:59 am
By: GLC

		(1)	(2)	(3)	(4)	(5)	(6)	(7)
		1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88
	CE	205,134,657	226,073,372	244,821,950	265,408,671	290,518,845	311,682,492	349,243,839
	ADM	97,474.26	94,585.95	89,561.30	93,338.05	94,163.51	94,915.32	96,057.41
CD SU District	CE/ADM	2,105	2,390	2,734	2,844	3,085	3,283	3,636
TOTAL		2,105	2,390	2,734	2,844	3,085	3,283	3,636
Maximum		3,601	4,315	5,083	4,829	5,174	5,343	5,837
Overall State Average		2,105	2,390	2,734	2,844	3,085	3,283	3,636
Minimum		1,355	1,570	1,835	1,865	1,916	1,987	1,568
Top 10 towns		3,131	3,805	4,296	4,437	4,676	4,857	5,312
Bottom 10 towns		1,652	1,662	1,959	1,966	2,122	2,268	2,110
Top 10% (25 towns)		2,835	3,301	3,762	3,913	4,161	4,516	4,987
Middle 80% (201 towns)		2,085	2,386	2,628	2,739	2,958	3,190	3,538
Bottom 10% (25 towns)		1,519	1,767	2,076	2,121	2,279	2,483	2,576
TOTAL		2,105	2,390	2,734	2,844	3,085	3,283	3,636
Top 1/3 (84 towns)		2,466	2,886	3,219	3,342	3,626	3,950	4,326
Middle 1/3 (83 towns)		1,967	2,236	2,575	2,677	2,966	3,188	3,582
Bottom 1/3 (84 towns)		1,719	1,950	2,250	2,327	2,536	2,670	2,956
TOTAL		2,105	2,390	2,734	2,844	3,085	3,283	3,636

Congressional Research Service
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Washington, D.C. 20540

January 26, 1990

TO : House Subcommittee on Elementary, Secondary, and Vocational Education
Attention: Jack Jennings

FROM : **Wayne Riddle**
Specialist in Education Finance
Education and Public Welfare Division

SUBJECT : **Comments on the Bureau of the Census Data Used in our Earlier Memorandum to You**

This memorandum was prepared in accordance with your request of January 24 for our comments on Bureau of the Census data used in our memorandum to you dated January 17, 1990 (copy attached).

Our January memorandum provided, as requested by you, information on the range of Local Educational Agency (LEA) expenditures per enrolled pupil within each State. These data were taken from the only current source of such data for all LEAs in the nation, the U.S. Census Bureau's Census of Governments survey of State and local educational agencies for 1986-87. The 1986-87 survey, unlike earlier Census surveys of LEA finances, compiled data for all LEAs in the nation.[1] The survey was completed in December 1989, and we obtained a tape copy of the data from the Census Bureau. The Census survey includes total fall enrollment, total revenues, total current and capital expenditures[2], plus some detailed information on sources of revenue and objects of expenditures.[3] These data were reported to the Bureau of the Census by State education agencies.

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[1] Ordinarily, this annual Census survey compiles and reports data only for the States as a whole plus LEAs with enrollment of 5,000 or more pupils.

[2] Current expenditures are those for current operations; capital expenditures are for facilities construction and other capital goods, plus related debt payments.

[3] For example, expenditures for instruction versus support services.

In response to your request, we used the Census data file to calculate total current expenditures per enrolled child for all elementary and secondary LEAs. To avoid marginal cases of LEAs with unusually high or low expenditures due primarily to very small size, we excluded all unified (combined elementary and secondary) LEAs with enrollment below 500 pupils, and separate elementary or secondary LEAs with enrollment below 250 pupils. We also excluded nonoperating LEAs[4], special purpose LEAs[5], and LEAs that could be identified as serving only Native American pupils.[6] Other than these exclusions, we simply reported the Census Bureau data as provided to us, modifying the data only by calculating total current expenditures per enrolled pupil, and sorting the LEAs within each State on the basis of this calculation. We then prepared our memorandum, including a table showing the LEAs with the highest and lowest expenditures per pupil within each State and LEA type.[7]

There appear to be concerns about two aspects of the data we provided to you. First, the reliability of the data for at least one LEA in Vermont--Huntington--has been questioned. Second, concerns have been raised about the appropriateness of providing information on LEA differences in expenditures within a State without adjusting these figures for differences in LEA costs, due to such factors as different enrollment rates for high cost pupils (e.g., the handicapped or disadvantaged) or different transportation costs resulting from population sparsity or density.

Data Accuracy and Reliability

As we noted above, our data were taken directly from the U.S. Census Bureau. If any of the data are inaccurate, either they were inaccurately reported to the Census Bureau by the States, or were incorrectly compiled by the Bureau. We have, in the past, been able to assume a high degree of accuracy in the Census Bureau's surveys. We checked our calculations multiple times both before and after providing the memorandum to you. We also contacted Census Bureau staff again, to make sure that they had no concerns about the accuracy of their data.[8] Given the large number of LEAs in this file, we could not independently verify data from them.

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[4] In some States, certain LEAs exist as legal units, but do not actually operate any schools. They may, for example, raise local tax revenues but use these funds to contract with another LEA to provide education services to children living within the nonoperating LEA.

[5] In some States, there are special purpose LEAs that provide only specified services--e.g., services for handicapped children, or vocational education programs--to children living within one or more "basic" LEAs.

[6] LEAs that we could identify as serving only Native American pupils were excluded because of the high degree of Federal responsibility for financing education for such pupils, making their LEAs noncomparable with other LEAs in the State.

[7] I.e., the expenditures per pupil were ranked separately for each State, and for each LEA type (elementary, secondary, unified) for States with multiple LEA types.

In addition, the data for the Vermont LEA in question were consistent with data for other Vermont elementary LEAs in the Census file--the expenditure per pupil for Huntington was only slightly below that for several other Vermont elementary LEAs, as shown in the attached table for all Vermont LEAs. While the expenditure per pupil figure for Huntington was relatively low ($1,107), it was not substantially lower than for many elementary LEAs in other States. Thus, there was no prima facie evidence that Huntington might be an aberrant case implying inaccurate data.

The Congressional Research Service relies upon Census Bureau data for a wide variety of purposes, about which we have received no complaint in the past. We note that in our January 17, 1990 memorandum to you, among the limitations to use of the data we provided to you we included the following:

- States may have made errors in collecting and reporting data to the Census Bureau, especially with respect to the LEAs with enrollment below 5,000, for which data is not usually published by the Census Bureau.

- There are certain problems with the data included in the Census Bureau survey. For example, State government expenditures for teacher retirement that are not passed through LEAs are excluded. There may be significant, unresolved differences in accounting for expenditures by different States and LEAs; e.g., differences in accounting for expenditures as "current" versus "capital," or as "elementary and secondary education" versus "adult education" expenditures. There may also be significant differences in State and local accounting periods.

These caveats remain highly relevant to any evaluation of the Census Bureau LEA data.

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[8] Mr. Larry Macdonald, Director of the Census Bureau's LEA survey, noted only that the Bureau had an unusual amount of difficulty in securing cooperation from Vermont's State education agency in conducting this survey, but believed the data finally obtained to be accurate and consistent with that provided by other States.

Comprehensiveness of Data

Regarding the second concern, that our calculations were not adjusted for different pupil populations and other cost factors, such adjustments would be impossible to apply with currently available data. As noted earlier, the Census Bureau LEA finance data file includes only total fall enrollment, not any more detailed information on LEA pupils, such as racial composition, handicapping conditions, family income, etc. There is currently no file of such data at the LEA level and including all LEAs. Nor is consistent or comprehensive information available on other cost factors, such as living costs, wage levels, or sparsity, for LEAs.

The lack of such cost factor information for LEAs is cause for concern. However, in our January 17, 1990, memorandum to you we emphasized the data's nature and limitations:

- These calculations do not account for differences among LEAs in pupil needs, which in many cases are recognized by categorical State and Federal aid programs that provide additional funds to LEAs with high proportions of special needs pupils. For example, expenditures per pupil might be relatively high in an LEA because it has high numbers of handicapped, limited English-proficient, or poor children. There might also be additional costs associated with population sparsity or density, for which these calculations also do not account.
- There are significant differences among LEAs in a State in the costs of providing educational services. In particular, salaries for teachers and other staff vary widely among LEAs in many States. While salary variations might partially reflect differences in teacher "quality", they are also influenced by such factors as overall labor supply and demand conditions in each area, or the extent and effectiveness of teacher unions.
- Finally, many States' school finance systems are aimed toward equalizing the amount of funds that can be raised for a given tax rate, not equalizing the ultimate expenditure level. In such States, differences in expenditures per pupil may primarily reflect the preferences of voters, not differences in ability to pay.

We hope that this memorandum meets the Subcommittee's needs. Please inform us if we can be of further assistance.

Attachment

1986-87 TOTAL CURRENT EXPENDITURES PER ENROLLED PUPIL
FOR SELECTED LOCAL EDUCATIONAL AGENCIES (LEAS). LEAS
ARE EXCLUDED IF THEIR ENROLLMENT IS BELOW 500 PUPILS
FOR UNIFIED LEAS, OR 250 PUPILS FOR ELEMENTARY OR SECONDARY
LEAS. ALL DATA ARE FROM THE U.S. CENSUS BUREAU. SEE
ATTACHED TABLE FOR EXPLANATION OF STATE CODES. SCHLEVEL=
LEA TYPE (1=ELEMENTARY, 2=SECONDARY, 3=UNIFIED). EXPEND=
TOTAL CURRENT EXPENDITURES. ENROLL=TOTAL FALL ENROLLMENT
PERCHILD=TOTAL CURRENT EXPENDITURES PER CHILD ENROLLED
TABLE PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE

STATE	COUNTY	LEANAME	SCHLEVEL	EXPEND	ENROLL	PERCHILD
46	CHITTENDEN COUNTY	HUNTINGTON SCH DIST	1	$280,000	253	$1,107
	CHITTENDEN COUNTY	RICHMOND TOWN SCH DIST	1	$741,000	615	$1,205
	FRANKLIN COUNTY	SWANTON TOWN SCH DIST	1	$1,466,000	1,210	$1,212
	CHITTENDEN COUNTY	UNDERHILL INC SCH DIST	1	$371,000	281	$1,320
	WASHINGTON COUNTY	CALAIS TOWN SCH DIST	1	$396,000	283	$1,399
	ORLEANS COUNTY	DERBY TOWN SCH DIST	1	$1,232,000	856	$1,439
	FRANKLIN COUNTY	HIGHGATE TOWN SCH DIST	1	$934,000	636	$1,469
	CHITTENDEN COUNTY	UNDERHILL TOWN SCH DIST	1	$409,000	277	$1,477
	LAMOILLE COUNTY	JOHNSON TOWN SCH DIST	1	$738,000	498	$1,482
	RUTLAND COUNTY	BRANDON TOWN SCH DIST	1	$1,170,000	778	$1,504
	ORLEANS COUNTY	NEWPORT CITY SCHS	1	$1,153,000	749	$1,539
	WINDHAM COUNTY	WESTMINSTER TOWN	1	$893,000	574	$1,556
	ORANGE COUNTY	UNION SCHOOL DIST 36	1	$653,000	409	$1,597
	ORANGE COUNTY	NEWBURY TOWN SCH DIST	1	$436,000	273	$1,597
	BENNINGTON COUNTY	POWNAL TOWN SCH DIST	1	$1,030,000	644	$1,599
	RUTLAND COUNTY	WALLINGFORD TOWN	1	$702,000	437	$1,606
	ORLEANS COUNTY	NEWPORT TOWN SCH DIST	1	$489,000	298	$1,641
	WASHINGTON COUNTY	WATERBURY TOWN SCH DIST	1	$1,348,000	818	$1,648
	ORLEANS COUNTY	TROY TOWN SCH DIST	1	$574,000	336	$1,708
	ADDISON COUNTY	MONKTON TOWN SCH DIST	1	$430,000	250	$1,720
	BENNINGTON COUNTY	SHAFTSBURY TOWN SCH DIST	1	$923,000	534	$1,728
	ORANGE COUNTY	BRADFORD INC SCH DIST	1	$815,000	467	$1,745
	WASHINGTON COUNTY	MIDDLESEX TOWN SCH DIST	1	$496,000	283	$1,753
	ADDISON COUNTY	FERRISBURG TOWN SCH DIST	1	$738,000	421	$1,753
	WINDSOR COUNTY	NORWICH TOWN SCH DIST	1	$901,000	512	$1,760
	WASHINGTON COUNTY	EAST MONTPELIER TOWN	1	$845,000	476	$1,775
	ESSEX COUNTY	BRIGHTON TOWN SCH DIST	1	$509,000	282	$1,805
	ADDISON COUNTY	STARKSBORO TOWN SCH DIST	1	$464,000	251	$1,849
	RUTLAND COUNTY	PITTSFORD TOWN SCH DIST	1	$951,000	504	$1,887
	WINDSOR COUNTY	HARTLAND TOWN SCH DIST	1	$994,000	520	$1,912
	RUTLAND COUNTY	CLARENDON TOWN SCH DIST	1	$1,096,000	566	$1,936
	ADDISON COUNTY	NEW HAVEN TOWN SCH DIST	1	$497,000	255	$1,949
	FRANKLIN COUNTY	GEORGIA TOWN SCH DIST	1	$1,669,000	853	$1,957
	RUTLAND COUNTY	FAIR HAVEN TOWN SCH DIST	1	$1,213,000	610	$1,989
	BENNINGTON COUNTY	NORTH BENNINGTON SCH DIST	1	$540,000	270	$2,000
	WINDHAM COUNTY	GUILFORD TOWN SCH DIST	1	$604,000	293	$2,061
	WINDSOR COUNTY	WOODSTOCK TOWN SCH DIST	1	$1,105,000	525	$2,105
	WINDSOR COUNTY	WEATHERSFIELD TOWN SCH DIST	1	$1,031,000	483	$2,135
	BENNINGTON COUNTY	BENNINGTON INC SCH DIST	1	$5,655,000	2,543	$2,224
	ORLEANS COUNTY	BARTON INCORP SCH DIST	1	$792,000	355	$2,231
	GRAND ISLE COUNTY	SOUTH HERO TOWN SCH DIST	1	$638,000	278	$2,295
	ADDISON COUNTY	VERGENNES INC SCH DIST	1	$886,000	386	$2,295
	CHITTENDEN COUNTY	WESTFORD TOWN SCH DIST	1	$710,000	308	$2,305
	WINDSOR COUNTY	LUDLOW TOWN SCH DIST	1	$890,000	382	$2,330
	FRANKLIN COUNTY	FAIRFIELD TOWN SCH DIST	1	$830,000	353	$2,351

1986-87 TOTAL CURRENT EXPENDITURES PER ENROLLED PUPIL
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ARE EXCLUDED IF THEIR ENROLLMENT IS BELOW 500 PUPILS
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PERCHILD=TOTAL CURRENT EXPENDITURES PER CHILD ENROLLED.
TABLE PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE.

STATE	COUNTY	LEANAME	SCHLEVEL	EXPEND	ENROLL	PERCHILD
46	WASHINGTON COUNTY	BARRE TOWN SCH DIST	1	$3,537,000	1,469	$2,408
	WINDHAM COUNTY	DUMMERSTON TOWN SCH DIST	1	$672,000	277	$2,426
	GRAND ISLE COUNTY	ALBURG TOWN SCH DIST	1	$804,000	325	$2,474
	WINDHAM COUNTY	ROCKINGHAM TOWN SCH DIST	1	$2,543,000	1,006	$2,528
	WINDHAM COUNTY	BRATTLEBORO TOWN	1	$4,796,000	1,861	$2,577
	RUTLAND COUNTY	RUTLAND TOWN SCH DIST	1	$1,676,000	632	$2,652
	CHITTENDEN COUNTY	JERICHO TOWN SCH DIST	1	$1,646,000	593	$2,776
	CHITTENDEN COUNTY	SHELBURNE TOWN SCH DIST	1	$3,016,000	1,074	$2,808
	CHITTENDEN COUNTY	HINESBURG TOWN SCH DIST	1	$1,744,000	614	$2,840
	ADDISON COUNTY	MIDDLEBURY INC SCH DIST	1	$3,070,000	1,059	$2,899
	ADDISON COUNTY	BRISTOL TOWN SCH DIST	1	$2,273,000	776	$2,929
	WINDHAM COUNTY	VERNON TOWN SCH DIST	1	$1,075,000	363	$2,961
	CALEDONIA COUNTY	LYNDON TOWN SCH DIST	1	$2,777,000	933	$2,976
	LAMOILLE COUNTY	HYDE PARK TOWN SCH DIST	1	$1,654,000	517	$3,199
	FRANKLIN COUNTY	ST ALBANS CITY SCHS	1	$4,160,000	1,275	$3,263
	RUTLAND COUNTY	BARSTOW MEMORIAL JCES	1	$951,000	289	$3,291
	WINDHAM COUNTY	PUTNEY CENTRAL SCH DIST	1	$944,000	286	$3,301
	FRANKLIN COUNTY	FRANKLIN CENTRAL SUPERVISORY	1	$2,544,000	754	$3,374
	CHITTENDEN COUNTY	ESSEX TOWN SCH DIST	1	$5,912,000	1,751	$3,376
	RUTLAND COUNTY	CASTLETON TOWN SCH DIST	1	$2,170,000	632	$3,434
	CALEDONIA COUNTY	ST JOHNSBURY TOWN SCHOOL	1	$4,883,000	1,418	$3,444
	WINDSOR COUNTY	CHESTER-ANDOVER UNION SCHOOL	1	$1,131,000	324	$3,491
	WINDHAM COUNTY	FLOOD BROOK UNION SCH DIST 20	1	$1,060,000	277	$3,827
	WASHINGTON COUNTY	BERLIN TOWN SCH DIST	1	$1,747,000	450	$3,882
	CALEDONIA COUNTY	BARNET TOWN SCH DIST	1	$1,121,000	280	$4,004
	WINDSOR COUNTY	BETHEL TOWN SCH DIST	1	$1,719,000	427	$4,026
	GRAND ISLE COUNTY	GRAND ISLE TOWN SCH DIST	1	$1,108,000	265	$4,181
	BENNINGTON COUNTY	DORSET TOWN SCH DIST	1	$1,225,000	287	$4,268
	CHITTENDEN COUNTY	WILLISTON TOWN SCH DIST	1	$3,116,000	714	$4,364
	FRANKLIN COUNTY	BERKSHIRE TOWN SCH DIST	1	$1,378,000	275	$5,011
	CALEDONIA COUNTY	BURKE TOWN SCH DIST	1	$1,673,000	311	$5,379
	BENNINGTON COUNTY	MANCHESTER TOWN SCH DIST	1	$3,448,000	574	$6,007
	FRANKLIN COUNTY	SHELDON TOWN SCH DIST	1	$2,622,000	399	$6,571
	CHITTENDEN COUNTY	CHARLOTTE TOWN SCH DIST	1	$3,579,000	525	$6,817
	RUTLAND COUNTY	MILL RIVER UNION SCHOOL DIST 40	2	$2,300,000	781	$2,945
		CAMBRIDGE SCHOOL DISTRICT	2	$861,000	288	$2,990
	FRANKLIN COUNTY	MISSISQUOI VALLEY UNION	2	$3,021,000	959	$3,150
	BENNINGTON COUNTY	MT ANTHONY UNION HIGH SCH	2	$6,867,000	2,033	$3,378
	RUTLAND COUNTY	OTTER VALLEY U H S DIST 8	2	$2,412,000	698	$3,456
	RUTLAND COUNTY	FAIR HAVEN UNION HIGH SCHOOL	2	$1,817,000	514	$3,535
	ORLEANS COUNTY	NORTH COUNTRY UNION HIGH	2	$5,145,000	1,437	$3,580
	ORLEANS COUNTY	LAKE REGION UNION SCHOOL	2	$1,664,000	458	$3,633
	LAMOILLE COUNTY	LAMOILLE UNION HIGH SCH DIST 18	2	$2,753,000	743	$3,705
	ADDISON COUNTY	MOUNT ABRAHAM UNION HIGH SCHOOL	2	$2,997,000	801	$3,742
	ADDISON COUNTY	VERGENNES UNION HI SCH DIST 5	2	$2,340,000	610	$3,836

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STATE	COUNTY	LEANAME	SCHLEVEL	EXPEND	ENROLL	PERCHILD
46	WASHINGTON COUNTY	UNION HIGH SCH DIST 32	2	$3,130,000	802	$3,903
	CALEDONIA COUNTY	HAZEN UNION HIGH SCHOOL DIST 26	2	$1,559,000	384	$4,060
	WINDSOR COUNTY	GREEN MOUNTAIN UHS	2	$2,007,000	469	$4,279
	WASHINGTON COUNTY	HARWOOD UNION HIGH SCH DIST 19	2	$3,591,000	837	$4,290
	WINDHAM COUNTY	BRATTLEBORO HIGH SCH DIST 6	2	$6,434,000	1,479	$4,350
	ADDISON COUNTY	MIDDLEBURG UNION HI SCH DIST 3	2	$4,915,000	1,126	$4,365
	RUTLAND COUNTY	RUTLAND WINDSOR UNION SCH DIST	2	$1,188,000	272	$4,368
	WINDSOR COUNTY	WOODSTOCK H S DIST 4	2	$2,751,000	615	$4,473
	CHITTENDEN COUNTY	CHAMPLAIN VALLEY UNION	2	$4,403,000	916	$4,807
	WINDHAM COUNTY	LELAND AND GRAY UNION	2	$1,554,000	320	$4,856
	ORANGE COUNTY	OXBOW UNION HIGH SCHOOL DIST 30	2	$2,359,000	483	$4,884
	ORANGE COUNTY	RANDOLPH UNION HIGH SCH DIST 2	2	$3,364,000	645	$5,216
	WINDHAM COUNTY	WILMINGTON TOWN SCH DIST	2	$1,657,000	297	$5,579
	WINDHAM COUNTY	BELLOWS FALLS UNION HIGH SCHOOL	2	$3,008,000	509	$5,910
	CHITTENDEN COUNTY	MT MANSFIELD UNION	2	$5,767,000	763	$7,558
	CALEDONIA COUNTY	HARDWICK TOWN SCH DIST	3	$1,017,000	611	$1,664
	ORANGE COUNTY	RANDOLPH TOWN SCH DIST	3	$1,593,000	900	$1,770
	CHITTENDEN COUNTY	MILTON GRADED SCH DIST	3	$5,492,000	1,831	$2,999
	WASHINGTON COUNTY	NORTHFIELD TOWN SCH DIST	3	$2,698,000	870	$3,101
	CHITTENDEN COUNTY	COLCHESTER SCH DIST	3	$8,353,000	2,443	$3,419
	CHITTENDEN COUNTY	WINOOSKI INC SCH DIST	3	$2,678,000	706	$3,793
	RUTLAND COUNTY	RUTLAND CITY SCHS	3	$9,524,000	2,428	$3,923
	FRANKLIN COUNTY	FAIRFAX TOWN SCH DIST	3	$2,066,000	525	$3,935
	WASHINGTON COUNTY	MONTPELIER CITY SCHS	3	$5,090,000	1,250	$4,072
	WINDSOR COUNTY	SPRINGFIELD TOWN	3	$7,515,000	1,765	$4,258
	LAMOILLE COUNTY	MORRISTOWN TOWN SCH DIST	3	$3,346,000	753	$4,444
	WINDSOR COUNTY	HARTFORD TOWN SCH DIST	3	$6,761,000	1,463	$4,621
	WINDSOR COUNTY	WINDSOR TOWN SCH DIST	3	$3,124,000	672	$4,649
	CHITTENDEN COUNTY	BURLINGTON CITY SCHS	3	$17,238,000	3,570	$4,829
	WASHINGTON COUNTY	BARRE CITY SCHS	3	$8,424,000	1,515	$5,560
	CHITTENDEN COUNTY	SO BURLINGTON CITY SCHOOL	3	$11,157,000	1,960	$5,692
	CHITTENDEN COUNTY	ESSEX JCT INC SCH DIST	3	$12,589,000	1,514	$8,315

APPENDIX 2

Economic Policy Institute
Briefing Paper
1730 Rhode Island Ave., NW • #812 • Washington, DC 20036 • 202/775-8810

SHORTCHANGING EDUCATION

HOW U.S. SPENDING ON GRADES K-12 LAGS BEHIND OTHER INDUSTRIAL NATIONS

By M. Edith Rasell and Lawrence Mishel

Introduction and Summary

Over the past decade, Americans have become increasingly concerned about the educational and academic achievements of U.S. students, particularly at the primary and secondary levels. Numerous high-level commissions, composed of leaders from government, education, and business, have examined the schools, and most recently, state governors and Administration officials, including President Bush, met at the "Education Summit" to discuss needed reforms. Improving the education of U.S. students has risen to the top of the public agenda.

President Bush, who has declared his desire to be known as the "education president," has, however, attempted to limit the discussion of educational reform initiatives to those which do not involve spending additional public funds. At the "Education Summit" in September, President Bush declared that the U.S. "lavishes unsurpassed resources on [our children's] schooling." Therefore, "our focus must no longer be on resources. It must be on results."[1] At this same conference, Secretary of Education Lauro Cavazos stated that the problem with U.S. education "is not ... an issue of dollars... [F]unding is truly not an issue."[2]

The President and Administration officials have justified this anti-spending stance by asserting that the U.S. education system is already well funded in comparison with other industrialized nations. Two measures of spending have been used by Administration officials and others to compare U.S. expenditures with those of other countries. One measure is spending per pupil. According to Secretary of Education Cavazos, "we are already spending more money per student than our major foreign competitors, Japan and Germany."[3] President Bush's Chairman of the Council of Economic Advisers, Michael J. Boskin, agrees: "[w]e spend more, per pupil, than most of the other major industrialized economies."[4] In *The New York Times*, Chester E. Finn, Jr., former Assistant Secretary of Education in the Reagan Administration and now director of the Educational Excellence Network of Vanderbilt University, wrote: "[w]e already spend far more per pupil than any other nation."[5]

The second measure of spending which is used to make international comparisons is the share of national income devoted to education. In an appearance on the NBC "Today Show" just before the September 1989 "Education Summit," President Bush's Chief of Staff John Sununu declared: "[w]e spend twice as much [on education] as the Japanese and almost 40 percent more than all of the other major industrialized countries of the world."[4] The Council of Economic Advisors chairman Michael Boskin stated, "we spend a very large amount of our national income on education."[5]

The Administration's proposition that U.S. education is well-funded and therefore poor student performance cannot be a matter of insufficient monies is a key element in the national debate over education. It has provided policymakers at federal, state, and local levels a convenient rationale for not devoting more resources to education in a time of budgetary stress.

This paper is an examination of the statistical under-pinnings of the Administration's claims. It concludes that the assertions about funding are misleading and therefore are invalid guides to education policy. Specifically, our examination of education expenditures in 16 industrialized countries, adjusted for differences in national income, shows:

*** U.S. public and private spending on pre-primary, primary and secondary education, the levels of schooling which have been the focus of most concern, is lower than in most other countries. The U.S. ties for twelfth place among 16 industrialized nations, spending less than all but three countries.

*** When expenditures for K-12 are further adjusted to reflect differences in enrollment rates, the U.S. falls to fourteenth place, spending less than all the other countries but two.

*** When U.S. *public* spending alone is compared to *public* spending abroad, we rank fourteenth in spending for *all* levels of schooling, fourteenth in spending on K-12, and thirteenth in K-12 spending adjusted for enrollments.

*** If the U.S. were to increase spending for primary and secondary school up to the *average* level found in the other 15 countries, we would need to raise spending by over $20 billion annually.

*** Because the U.S. spends comparatively more than other countries on higher education, when expenditures on all levels of education -- pre-primary, primary, secondary and post-secondary -- are calculated, we are in a three-way tie for second place among the countries studied.

This paper is focused on education spending. It is not a prescription for improving the U.S. education system. We recognize that money does not guarantee excellence and we suspect that other changes -- in curriculum, in the status of teachers, and in expectations about students, to name just a few, will also be fundamental to any improvement in education quality and student achievement. But to begin a process of education reform by denying the need to increase spending, especially when U.S. schools are under-funded compared to those in other industrialized countries, places a severely limiting constraint on any plans for educational improvement.

Comparing Educational Effort

This paper compares education spending in 16 industrialized countries: most of western Europe, Canada, Japan and the U.S.[8] Our data source is the United Nations Educational, Scientific and Cultural Organization (UNESCO)[9], virtually the only commonly accepted source for such comparisons and the same source used by Administration officials. U.S. 1985 expenditure data come from the *Digest of Education Statistics*[10] (see Appendix A for details).

International Comparisons: Education Share of National Income

We will begin our study by comparing education expenditures expressed as a percentage of national income (Gross Domestic Product). This is a common method used for international comparisons which allows us to avoid the distortions caused by fluctuating exchange rates. Also, education expenditures expressed as a percentage of national income provide a measure of the national effort which each country directs toward education.

Table 1 shows education expenditures as a percentage of national income for 16 countries in 1985, the last year for which such data are available (tables appear beginning on page 11). A first but, as we will show later, misleading glance shows that U.S. spending on all levels of schooling, including pre-school, primary, secondary and higher education, in 1985 amounted to 6.8 percent of national income. This places the U.S. in a three-way tie for second place with one of the highest expenditure levels among the 16 countries studied. By this measure it appears that only Sweden spends a larger share of national income on education than does the U.S., and Canada and the Netherlands spend equivalent amounts. This figure showing the U.S. to spend a relatively large percentage of national income on education is the basis for the claims made by the President and others that the U.S. spends "lavishly" on education and that we spend more than most other countries.

This comparatively high expenditure on education is due, in large part, to the substantial sums the U.S. spends on *higher* education. A relatively larger number of U.S. students are enrolled in post-secondary education than in most other countries. In 1985, 5.1 percent of the entire U.S. population was enrolled in some form of higher education, a figure two to three times larger than the percentage enrollments of any other country, except Canada (see Table 2). Larger enrollments, in what is also a more expensive form of education, raise U.S. total education expenditures above levels in many other countries.

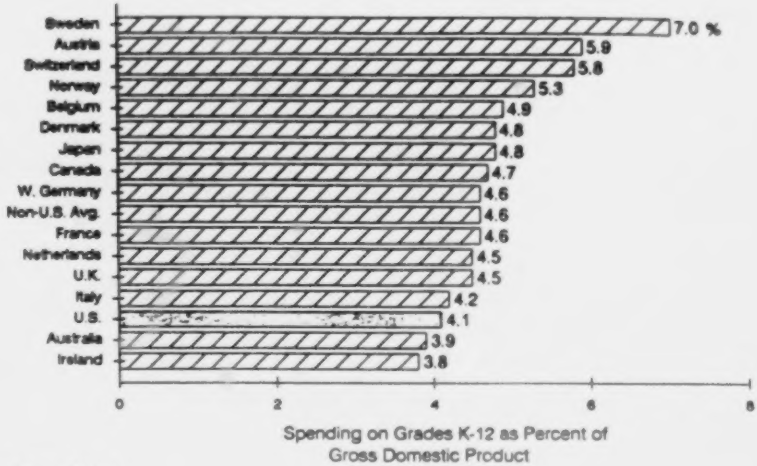
But the current crisis of American schools is not in higher education; it is in the primary and secondary school systems. A comparison of funding for *all* levels of education combined thus obscures the main focus of concern about American education. If spending on K-12 only is compared, as shown in column 2 of Table 1, in 1985 the U.S. tied for twelfth place, spending less than 11 of the other countries. Only three of the countries studied spent less than the U.S. on primary and secondary education.[11]

But this picture of relative spending is still incomplete. Calculations of funding adequacy must also be related to the size of the school age population in each country. Among the countries studied, the U.S. enrolls a relatively large percentage of the population in pre-primary, primary and secondary school (see Table 2). For example, over 19 percent of the U.S. population is enrolled in K-12, but less than 15 percent of the West German population and only 14 percent of the population in Switzerland. In Table 1, column 3, the K-12 expenditure figures of column 2 are adjusted to take into account the relative size of each country's K-12 enrollment (see Appendix A for methodology). By this more accurate calculation, among the 16 countries studied, *the U.S. spends less on pre-primary, primary and secondary education than all but two other countries.* Only Australia and Ireland spend less than the U.S. for the critically important grades K-12 (see Figure 1).

We can also compare U.S. education spending as a share of national income with the *average* share of the other 15 countries as shown in the bottom row of Table 1. The U.S. spent 4.1 percent of its national income on K-12 education in 1985, while the average abroad was 4.6 percent. If the U.S. were to have reached this average in 1985, we would have needed to raise spending for pre-primary, primary, and secondary school by over 12 percent, or by $20.6 billion annually. In 1988 dollars, the equivalent sum is $23.5 billion.

All the international comparisons made thus far still give an incomplete picture of comparative education spending. Large U.S., Japanese and German trade imbalances skew the data and make the U.S. education expenditure appear larger than is actually the case. A more accurate picture of education spending, taking into account trade imbalances, would lower U.S. spending and raise Japanese and German spending beyond the levels shown in Table 1. Further details and data appear in Appendix B.

Figure 1
Comparison of Country Education Expenditures, 1985



Source: Table 1.

Operating and Capital Expenditures

The rankings described above are derived from comparisons of education spending which include both operating expenses and capital expenditures. In order to judge whether the low U.S. rankings might be a result of some unique allocation of spending between capital and operating accounts, Table 3 ranks the 16 nations according to operating expenditures only. The comparison shows the U.S. position, relative to the other countries, to be nearly unchanged.

Public Spending on Education Compared

We have seen that the U.S. spends a smaller share of its national resources on K-12 than do most other industrialized countries. But there is another dimension in which the characterization of the U.S. as a big spender on education is wrong -- *public expenditures*.

For most of the 16 countries studied, UNESCO assembles data on *public* expenditures for education because public revenues provide virtually all of the money spent on education. Even in countries where a sizable segment of the school population is enrolled in private school, most private schools' expenses are paid with public money. Thus, public expenditures approximate total education spending. The two exceptions are Japan and the U.S. where 20-25 percent of all education funding comes from private sources. For these two countries, UNESCO provides data on public *and* private education expenditures.

Education policy is primarily, although not exclusively, concerned with public schools. Moreover, public education spending reflects the conscious national commitment to educating the next generation. It is therefore useful to compare levels of public spending in the U.S. and Japan, with public spending in the other 14 countries.

As Table 4 shows, when public spending abroad for all levels of education is compared with public spending in the U.S., the U.S. no longer ties for second place, but falls to fourteenth. Japanese public spending on all levels of education was 5.1 percent of national income, compared with 5.0 percent for the U.S. In a comparison of public funding for K-12 only, the U.S. falls from the already low ranking of 12 (when both public and private money is included), to number 14. If we educated public and private K-12 students at the actual per pupil expenditure rate found in public schools, this would increase spending and raise the U.S. ranking from 14 to 13.[12]

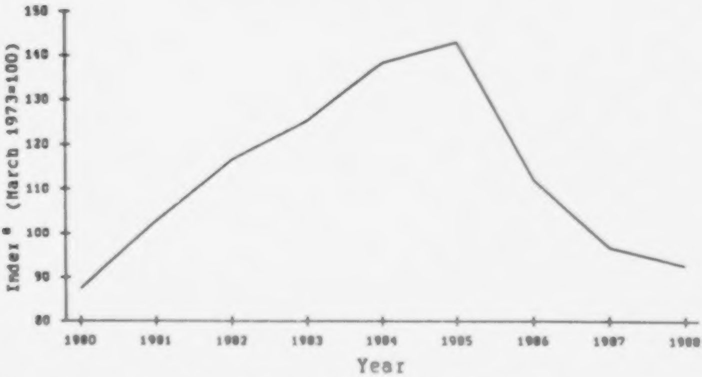
International Comparisons: Expenditures per Pupil

Thus far we have focused on education's share of national income in different countries. Education investment can also be analyzed by comparing expenditures per pupil. As we have seen, this is the measure Messrs. Cavazos, Boskin, and Finn have sometimes used to claim that the U.S. spends more on education than its economic competitors.

However, there are two potential sources of error in the use of per pupil expenditures to compare nations' spending on education. The first is the instability of exchange rates. Before cross-national comparisons can be made, expenditures measured in each country's national currency must be expressed in some common unit of measurement, e.g. dollars, yen, marks, etc. But whatever measure one chooses, it requires converting data collected in all other currencies to one currency.[13] However, exchange rates fluctuate, sometimes markedly, and this has been particularly true in the 1980s. For instance, in 1985, if $100,000 would have purchased a German school bus, by 1988, due to a decline in the value of the dollar, the same bus would have cost $166,000. If exchange rates were used to convert German expenditures into dollars, the purchase of the bus by a German school district in 1985 would have been shown as an expenditure of

$100,000, while the same purchase in 1988 would appear as an expenditure of $166,000. The size of the German expenditure measured in German marks would be unchanged, but fluctuations in the exchange rate used to convert marks to dollars would markedly change the dollar value of the expenditure. In 1985, the year which we have been examining, the dollar was particularly overvalued (see Figure 2). The effect is to make the U.S. expenditures on education appear relatively greater than those in other countries.

Figure 2
Value of the Dollar, 1980-88



a. Nominal multilateral trade-weighted value of the U.S. dollar.

Source: Federal Reserve Board

The problem of using exchange rates to make spending comparisons is illustrated in Table 5. Using 1985 exchange rates, as shown in column 1, the U.S. ranked fourth among the 16 countries studied. But if some other value of the dollar is used to make the conversion, e.g., the 1988 exchange rate, then the U.S. ranking changes to ninth (column 2).

The second problem in using per pupil expenditures is that they do not necessarily reflect the national effort devoted to education. The real issue underlying cross-national comparisons is not the numbers of dollars or pounds which each country spends, but the relative national effort devoted to education. For example, a poorer country could spend a relatively large share of national income on education, i.e., could make a large national effort to educate its youth, but have a much lower spending per pupil than a richer country devoting a smaller share of its income to education. Before meaningful international comparisons can be made, education expenditure levels must be related to some measure of total national income.

Moreover, countries with high per capita incomes will also have higher wages reflecting a higher standard of living. For example, high living standards in the U.S. mean that, in general, workers are better paid than in other countries. Therefore, we would expect education expenditures per pupil to be higher in the U.S. than in other countries.

Per pupil expenditures can be used to make international comparisons if two conditions are met: exchange rates are avoided, and if some measure of national income is included in the calculation. Such a measure is shown in Table 6. Expenditures per student are expressed as a percentage of per capita income measured in each nation's *own* currency. We find that of the 16 countries studied, U.S. spending on pre-primary, primary, and secondary education is lower than in all but two other countries.[14]

The Historical Record

The study thus far has examined expenditures at a single point in time, 1985, and has found that the U.S. spent relatively little on pre-primary, primary, and secondary education compared with other industrialized countries. Another important issue is how U.S. funding for education has changed over time and how U.S. spending has changed relative to that of other countries. Tables 7 and 8 show U.S. funding of K-12 education in the postwar period. Expenditures are expressed as a percentage of national income.

As shown in Table 7, expenditures for pre-primary, primary and secondary education peaked in 1974, and have fallen steadily since (see column 1). Thus, spending for education has not kept pace with overall economic growth. Over this same period, however, enrollments also have fallen (see column 3). Primary and secondary school enrollment, as a percentage of the total population, was at its highest level in 1969, and has been gradually falling since that time. Adjusting expenditure figures for the changing enrollments, using the same method as in the international comparisons, shows that the decline in spending for education has been more than offset by shrinking enrollments (see Table 7, column 2). In the 1980s, the declining fraction of the population enrolled in school has meant adjusted expenditures have risen, despite the slowdown in actual funding for education.

Table 8 shows how the funding sources for public education have changed over time. Adjusted federal revenues, after rising until 1980, by 1985 had fallen by .08 percent of national income. In the same five year period, state and local revenues rose by .14 percent and .08 percent, respectively. (Since these are percentages of our two to three billion dollar national income, these small changes of less than one percent actually indicate billion dollar variations in education expenditures. In 1988, 0.1 percent of national income equaled $4.46 billion.) Thus, the federal government's education funding responsibilities were shifted unto states and localities. The observed rise in adjusted total revenue is solely due to increased funding by states and localities. Among other consequences, this has increased the potential for greater disparities in funding between school districts across the nation.

Despite the increase in overall U.S. education funding of K-12 between 1980 and 1985, our position relative to other countries declined. Table 9 shows K-12 expenditures in 1980 and 1985 for the 16 countries we have been comparing, with both years' expenditures adjusted for the 1985 U.S. enrollment rate. In 1980 the U.S. ranked twelfth in adjusted spending on K-12, spending less than eleven other countries. But by 1985, the U.S. had fallen in rank to number fourteen.

U.S. education expenditures since 1985 are shown in Table 10.[10] Spending for pre-primary, primary, and secondary education, expressed as a percentage of national income and adjusted for 1985 enrollments, rose from 3.88 percent in 1980, to 4.08 percent in 1985, reached 4.21 percent in 1987, and has been relatively constant between 1987 and 1989. Because comparable international data are not available, we cannot determine how this post-1985 U.S. trend affects its relative ranking with the other countries.

Conclusion

We have seen that when public plus private spending on all levels of education is compared with spending in other industrialized countries, the U.S. is in a three-way tie for second place among the countries studied. However, when spending for primary and secondary education alone is compared with expenditures abroad, the U.S. ranking falls to a tie for twelfth place. And when adjustments are made for enrollment size, the U.S. falls further to fourteenth place, spending less than all the other countries except two.

When levels of public spending on education only are compared, showing the social commitment to public education, again the U.S. compares unfavorably with the other countries. Comparisons of public spending for all levels of education, and for K-12 alone, both place the U.S. in fourteenth place. In enrollment adjusted K-12 public expenditures, the U.S. does slightly better, ranking number thirteenth. But by all comparisons, the U.S. devotes fewer resources to primary and secondary education than do most industrialized nations.

The claim that the U.S. spends more than other nations on education is misleading. By all comparisons, the U.S. devotes a smaller share of its resources to pre-primary, primary and secondary education than do most industrialized countries.

The comparatively weak U.S. investment in K-12 is not a result of a more efficient administrative structure or favorable demographics. In fact, the U.S. might be expected to spend proportionally *more* than other countries because of the particular characteristics of the U.S. school system and American society. Our decentralized school system gives more local autonomy and local choice, but is also more expensive than a single, centrally administered system. Our population is more heterogeneous than in most other countries. Some immigrants do not speak English. Students come from a variety of cultural backgrounds. The very high number of children living in poverty makes additional demands on the school system.

Available data do not permit cross-country comparisons to be made in much more detail, but other evidence suggests that the spending gap is particularly wide between the youngest American and foreign children. For example, it is generally accepted that the U.S. Head Start Program of early childhood education for disadvantaged children age three to five is valuable and cost effective, yet limited federal funding permits only 20 percent of eligible children to take part. Many of our competitors seem to have a stronger commitment to early childhood education, and some of them have nearly universal pre-kindergarten enrollments. In France, 100 percent of four- and five-year-olds attend school/educational day care, 90 percent of three-year-olds attend, and 36 percent of two-year-olds. In Belgium, 96 percent of three- to six-year-olds are in school, and in the Netherlands, 98 percent of four- and five-year-olds.[16]

Spending more money is not, of course, the only answer to the difficult problem of revitalizing primary and secondary education in the U.S. But the data presented here indicate that in education, as in every other service, we may "get what we pay for." Given the level of investment in our pre-primary, primary, and secondary schools, it is not surprising that we are slipping behind in comparative measures of performance as well.

January 1990

U.S. Department of Education

SHORTCHANGING EDUCATION: A CASE STUDY IN FLAWED ECONOMICS

Technical Assessment

Overview

The Economic Policy Institute (EPI) study never does what it claims to do--measure comparative education spending levels between the United States and other industrialized nations. Such a comparison requires a measure of per pupil spending in each country's value in a common currency (e.g., U.S. dollars). Hence, the EPI study shifts the focus of the education debate away from the critical issue of how to reform the U.S. education system to that of matching spending with other nations.

1. The Economic Policy Institute's proposed measure, education's share of national income, is not an appropriate measure of the commitment of a nation for education.

The Economic Policy Institute (EPI) calculates a country's education spending as the ratio of that country's educational expenditures to its national income. In fact, this is not a measure of spending commitment at all. Its value depends not only on what a country is spending on education (i.e., the numerator of the ratio), but also on the size of its economy (i.e., the denominator of the ratio).

2. The Purchasing Power Parity (PPP) index is a superior method for equating education expenditure levels among countries. The PPP adjusted expenditures "can be applied to obtain 'real' quantity comparisons between countries at a certain time." (OECD) When used to equate per student expenditures across nations, the ranking of nations changes dramatically from the EPI analysis.

Within a country, resources for education are measured by its spending per pupil, with education spending expressed in terms of that country's own currency. For the U.S., this is expressed as the dollar value of its expenditures per pupil. International spending comparisons require equating currency values across countries. While market exchange rates would translate expenditures of foreign currencies into their U.S. dollar equivalents, the results would be questionable because of the substantial fluctuations in exchange rates.

While the exchange rate approach is flawed, the solution is not to throw out per pupil spending comparisons, but to apply a more accurate method for equating currencies. The Purchasing Power Parity (PPP) index is such a measure. The Organization for Economic Cooperation and Development (OECD), whose member countries are included in the EPI list of countries, commonly uses this index for generating comparative international expenditure statistics.

Construction of the PPP index is similar to that of the U.S. Consumer Price Index (CPI). Both are based on the comparative cost of a fixed market basket of goods. While the CPI measures comparative costs of purchasing a fixed market basket between two time periods, the PPP measures comparative costs of a common market basket between two countries. Thus, the PPP measures "the number of U.S. dollars needed in each country to buy the same representative basket of fixed goods and services costing $100 in the United States."

Table 1 displays the PPP values for OECD nations for three years--1985, 1987, and 1988. An increase in the index means that it costs more dollars to purchase the same goods. (Note the generally small changes in the magnitudes between 1985 and 1988 for most nations, in contrast to the sharp decline in the value of the dollar as shown by the market exchange rates.)

3. The EPI paper classifies K through 12 as including pre-primary education.

Appendix A of the EPI paper states that "In this paper, when the expression K-12 is used, 'K' represents all the pre-primary years." This definition of K through 12 is not only deceptive, but biases aggregate public expenditure figures against the U.S. Private spending by families with young children constitutes a much more significant share of total pre-primary education in the U.S. than in most other nations. Hence, total U.S. spending for pre-primary education is understated relative to those of other nations in which pre-primary education is publicly supported and included in their government's reported figures.

4. The inclusion of expenditures in the "other" and "not distributed" categories may bias results against the U.S. which does not report spending under these categories.

These categories are not well-defined by UNESCO, and moreover, there is no breakdown by education level. According to OECD, "other expenditures" are those which cannot be classified in categories such as instructional staff, administration, and materials. The "not distributed" category refers to government subsidies or transfers to public and private institutions which cannot be separated by purpose, mainly due to the administrative autonomy of the recipient institutions.

5. When pre-K through 12 spending is accurately compared to other nations, the U.S. ranks second only to Switzerland out of 22 OECD countries. If the uncertain "other" and "not

distributed" categories are included, the U.S. ranks fifth (Table 2). (Note: The EPI comparisons have been extended to include all 22 OECD countries for which the PPP is available.)

Table 2 uses the same UNESCO information on country expenditures and enrollments as did the EPI. It applies the PPP index to equate currencies across countries.

Two rankings are shown. U.S. per pupil spending ranks second out of 22 OECD countries, using only known expenditures. When the unknown spending categories are included, the U.S. ranks fifth out of 22.

6. Research has supported the position that the discussion on how to improve education must focus on how to improve the use of resources.

In a comprehensive review of 187 studies of the relationship between spending and achievement scores, Eric Hanushek of the University of Rochester found no significant correlation between the two.

Moreover, between school years 1980-1981 and 1988-1989, aggregate spending on elementary and secondary education, adjusted for inflation, rose from $157 to $199 billion (in

1988-89 dollars) for an increase of about 27 percent. Average salaries for public school teachers rose from $24,632 to $29,567 (in constant dollars) over the same period. Pupil-to-teacher ratios decreased from 18.9 to 17.6 students per teacher.

However, over this same period, test scores have improved very little. Recent evidence from the National Assessment of Educational Progress (NAEP) shows that reading and writing scores have remained virtually unchanged.

January 1990

TABLE 1

COMPARISON OF INTERNATIONAL CURRENCIES

	Comparative Price Levels		
	1985	1987	1988
Australia	86	94	111
Austria	80	133	133
Belgium	75	119	118
Canada	89	93	101
Denmark	92	149	154
Finland	96	141	153
France	81	124	124
Germany	84	137	138
Greece	56	74	77
Iceland	91	138	150
Ireland	76	110	111
Italy	68	108	111
Japan	93	147	162
Luxembourg	73	110	110
Netherlands	77	119	119
New Zealand	67	99	114
Norway	100	128	132
Portugal	39	60	63
Spain	56	86	93
Sweden	95	137	146
Switzerland	98	163	166
Turkey	29	31	30
United Kingdom	73	95	107
United States	100	100	100

The comparative price levels show the number of U.S. dollars needed in each country to buy the same representative basket of final goods and services costing $100 in the United States. They are based on the purchasing power parity index for each country.

SOURCE: Organization for Economic Cooperation and Development (OECD)

TABLE 2

INTERNATIONAL COMPARISONS OF PER STUDENT EXPENDITURES (1)
(Pre–K through Secondary School)

	Year	Current Expenditures Per Student	Rank	Current Expenditures Per Student Including Unknown Other Expenditures	Rank
Switzerland	1985	$3,683	1	$3,874	1
United States	1985	$3,310	2	$3,310	5
Sweden	1985	$3,214	3	$3,819	2
Canada	1985	$3,192	4	$3,499	4
Denmark	1986	$3,089	5	$3,596	3
Norway	1985	$2,900	6	$3,277	6
Luxembourg	1983	$2,596	7	$2,970	7
Austria	1985	$2,497	8	$2,829	8
West Germany	1985	$2,253	9	$2,530	9
Belgium	1985	$2,234	10	$2,509	10
France	1984	$1,996	11	$2,329	11
Australia	1985	$1,995	12	$2,147	14
United Kingdom	1984	$1,897	13	$2,155	12
Netherlands	1984	$1,860	14	$2,152	13
Japan	1985	$1,805	15	$2,079	15
New Zealand	1985	$1,262	16	$1,324	17
Italy	1983	$1,249	17	$1,568	16
Ireland	1984	$1,108	18	$1,143	18
Portugal	1985	$911	19	$963	19
Spain	1979	$598	20	$623	20
Greece	1984	$514	21	$520	21
Turkey	1985	$241	22	$260	22

(1) Per student expenditures in foreign currencies are expressed in dollar values using the 1985 Purchasing Power Parities (PPP) Index supplied by the Organization for Economic Cooperation and Development (OECD).

Economic Policy Institute

1730 RHODE ISLAND AVENUE, NW • SUITE 812 • WASHINGTON, DC 20036 • 202/775-8810

MEASURING COMPARATIVE EDUCATION SPENDING: A RESPONSE TO THE DEPARTMENT OF EDUCATION

by M. Edith Rasell and Lawrence Mishel

INTRODUCTION

On January 17 the Economic Policy Institute released our study, ***Shortchanging Education***, which shows that the U.S. spends less on pre-primary, primary and secondary education than all other industrialized countries except two. The study has been widely reported in the news media. Shortly after its release, the Department of Education issued a "Technical Assessment" of the report in which they challenged our methodology and conclusions. This paper gives our responses to each of the issues raised by the Department of Education. It is our conclusion, based on the evaluation outlined below, that the Department of Education's criticisms are without merit and do not affect our original finding: the U.S. spends less than most other industrialized countries on K-12 education. Following a brief overview, detailed discussion of each point begins on page 3.

I. The Department charges that our method, comparing expenditures expressed as a share of national income, is inappropriate.

Our Response: Expenditures expressed as a share of national income provide the most accurate comparisons of education effort and resources provided to students. This is the most commonly used and widely accepted measure of expenditure comparison. It has been frequently cited by Administration officials in the past and, contrary to claims made by the Department of Education, it is the measure used by the Organisation for Economic Co-operation and Development (OECD), as seen in their recent comparative study on education.

II. The Department would use per pupil expenditures as the preferred measure of comparison.

Our Response: Per pupil expenditures provide valid comparisons only if used in conjunction with a measure of relative incomes or prices. The Department's Mississippi - Minnesota example, discussed below, illustrates how misleading per pupil expenditure figures are, and shows the validity of share-of-income comparisons.

III. The Department recommends using Purchasing Power Parity (PPP) exchange rates to translate foreign expenditure per pupil figures into dollars which can then be compared directly.

Our Response: PPPs show relative standards of living among countries, but cannot be used to compare the quantity or quality of goods and services which can be purchased with a given expenditure.

IV. The Department charges that including expenditures listed by UNESCO in the "other" and "not distributed" categories may bias results against the U.S.

Our Response: Omitting these two categories of education spending, as the Department of Education suggests, would lessen the accuracy of the study.

V. The Department charges that we understate U.S. spending on pre-primary education.

Our Response: The U.S. expenditure figure, obtained from the Department of Education, does not include all private spending on pre-primary education. However, in all the other countries except Japan, the expenditures do not include any private expenditures on either pre-primary, primary or secondary school. Since these expenditures are all relatively small, their inclusion or omission has only minor affects on countries' relative expenditure levels.

We discuss each of these topics in more detail below.

I. ARE COMPARISONS OF EDUCATION SPENDING AS A SHARE OF NATIONAL INCOME APPROPRIATE?

In making our comparisons of international spending, we use the most commonly accepted and widely used measure of spending comparisons: expenditures expressed as a percentage of national income (GDP or GNP). Administration officials use this measure of education spending (see "Shortchanging Education", page 2). Roger Porter, the White House Domestic Policy Advisor, remarked in December 1989, that, compared to other countries, U.S. spending for education is "more per capita, more per student, it is more as a share of our gross national product. We spend one-and-a-half percent of GNP more than the Japanese do on education."[1] The only education spending comparisons shown in the UNESCO Statistical Yearbook use this measure, and this comparison of education expenditures is the only one presented in the Statistical Abstract of the United States from the U.S. Census Bureau. In a recent Cato Institute report on comparative education spending, share of national income is the only measure of comparison used. World Bank comparisons of education spending are presented as shares of government budget along with the budget's share of national income. International comparisons of health care expenditures are routinely stated in terms of spending as a percentage of national income, and the CIA compares defense spending between countries by examining expenditures as a share of national income (copies of these reports are attached).

The Department of Education claims that the Organisation for Economic Cooperation and Development (OECD) "commonly uses a [purchasing power parity index] for generating comparative international expenditure statistics." We disagree. For example, the most recent OECD study of international education expenditures,[2] published in 1989, uses expenditures as a percent of national income and per student expenditures as a percent of per capita national income as the methods of comparison (see attached). These are the same two measures of comparative spending that we identify as appropriate. There is no mention of purchasing power parity (PPP) in the book nor any discussion of per pupil expenditures (see below for a further discussion of PPPs).

Expressing expenditures as a percentage of national income gives the most accurate international comparisons. And it is by this measure that we find in 1985, the last year for which data are available, the U.S. ranked fourteenth out of sixteen industrialized countries in spending on K-12, spending more than only two countries, and less than thirteen.

II. ARE EDUCATION EXPENDITURES PER PUPIL THE BEST MEASURE FOR COMPARING SPENDING AMONG COUNTRIES?

There are two problems with comparisons of education spending per pupil. First, a per pupil expenditure comparison is misleading when the units being compared (countries or states) have different wage and income levels and thus different costs for educational resources (e.g., teachers). Second, spending per pupil comparisons necessarily involve conversions of foreign currency to dollars, leaving the comparisons subject to misleading methodologies.

Consider first the issue of making comparisons independently of wages and costs. Just knowing per pupil expenditures for each country does not tell us how many education resources are actually being purchased. One country may spend more per student, but because costs (prices and wages) are higher, the expenditure may actually purchase less--fewer teachers, fewer schools, fewer books, etc., than a smaller expenditure in a country which has lower costs and is able to purchase more for its money. It is not possible to compare education spending in any meaningful way without simultaneously examining relative costs. But costs generally reflect wages. Countries with higher wages usually have higher costs. Higher wages mean a higher standard of living and higher national income. Therefore we can meaningfully compare expenditures by examining them in relation to national income. This is the measure we (and many others) have chosen to use: expenditures as a share of national income. Examining expenditure figures in isolation from income levels or some measure of costs is misleading. The Department of Education's comparison of spending in Minnesota and Mississippi serves to prove our point.

The Department of Education's Mississippi - Minnesota Example

The Department of Education's January 16 response to "Shortchanging Education" compares education spending in Minnesota and

Mississippi. They describe 1986 spending in the two states using both of the measures we have been considering: per student expenditures ($4180 in Minnesota and $2350 in Mississippi) and expenditures as a percentage of state income (3.7 percent in Minnesota and 3.9 percent in Mississippi). These figures are shown in the table. The measure of spending being supported by the Department of Education, the first of these two, shows Minnesota to far outspend Mississippi, while the other measure (which we use) shows Mississippi to slightly outspend Minnesota. We will use this example to show that a share of income comparison of education spending provides the best insight into the level of educational resources being offered students.

EDUCATION EXPENDITURES IN MINNESOTA AND MISSISSIPPI, 1986.

		Minnesota	Mississippi	Minn/ Miss
	Current Expenditures as a Percent of State Income			
(1)	-as reported in Dept. of Ed. response to "Shortchanging Education"	3.7%	3.9%	
(2)	-actual correct expenditures	3.7%	3.5%	
(3)	-K-12 spending adjusted for Mississippi K-12 attendance	4.2%	3.5%	120%
(4)	Expenditures Per Student Attending School	$4180	$2350	178%
(5)	-corrected for relative teacher wages	$2884	$2350	123%

Sources: National Center for Education Statistics, U.S. Department of Education, Digest of Education Statistics; 1988 and 1989.

(a) Erroneous Data from the Department of Education

First, we must correct the Department of Education's data. In calculating per student expenditures, they use actual 1986 operating expenses. But in the percent-of-state-income calculation, they use estimated 1986 operating expenditures which overstate Mississippi's expenditures by 11.6 percent while the Minnesota estimate is quite close to the actual expenditure. Actual 1986 operating expenditures were 3.5 percent of Mississippi state income and 3.7 percent of Minnesota state income (see row 2 in the table), not 3.9 and 3.7, respectively, as reported by the Department of Education. Also, we must adjust expenditures for Mississippi's higher K-12 attendance, calculated as a percent of the total state population. K-12 attendance in Mississippi is 18.04 percent of the population, while in Minnesota is 16.00 percent. On this basis alone, we would expect Mississippi to spend a larger share of state income on K-12 education than Minnesota. Adjusting Minnesota expenditures to the Mississippi attendance level, as explained in "Shortchanging Education," shows Minnesota to spend 4.2 percent of state income to Mississippi's 3.5 percent, or put another way, Minnesota spends a 20 percent larger share of its income on education than Mississippi.

Per student expenditures are $4180 and $2350 for Minnesota and Mississippi, respectively, indicating that Minnesota spends 78 percent more per pupil than Mississippi. By either measure, Minnesota spends more on education than Mississippi. The important question is, does Minnesota provide 78 percent more educational resources to its students (as the per pupil comparison suggests) or 20 percent more educational resources (as the share of state income comparison suggests)?

(b) Taking Wage Levels into Account

We cannot answer this question until we know how costs and wages in Mississippi compare with those in Minnesota. In fact, costs are far lower in Mississippi reflecting lower incomes and wages. In 1986, the year we are examining, teachers' salaries in Mississippi were 69 percent of those in Minnesota. Construction costs, heating costs and wages are lower in Mississippi than in Minnesota. Using relative teachers' salaries as a indicator of relative costs in education, we estimate that in Minnesota every dollar spent buys only about two-thirds of what a dollar buys in

Mississippi. $4180 spent in Minnesota is equivalent to spending $2884 ($4180 x .69) in Mississippi. Therefore, to compare the actual level of educational services provided in the two states, we must compare spending levels of $2884 (the Minnesota level adjusted for higher wages and costs) and $2350 (in Mississippi). By this comparison, Minnesota still spends 23 percent more per student than does Mississippi. But this is very similar to the relative spending levels shown by our percent-of-state-income comparison (Minnesota outspends Mississippi by 20 percent), and very different from the Department of Education preferred comparison found by comparing per student expenditures *uncorrected for wages* (Minnesota outspends Mississippi by 78 percent).

The Mississippi and Minnesota example shows that comparisons of per student expenditures are misleading if relative wage, cost or income levels are not factored into the calculation. If we do not know the actual wage and cost levels necessary to adjust expenditure figures, (which is frequently the case, particularly in cross-national studies), accurate comparisons can only be made by examining spending as a percent of state (or national) income.

III. ARE PURCHASING POWER PARITIES APPROPRIATE FOR CONVERTING FOREIGN CURRENCIES TO DOLLARS WHEN COMPARING DIFFERING LEVELS OF EDUCATION RESOURCES PROVIDED TO STUDENTS?

International comparisons based on per pupil expenditures necessarily run into another difficulty -- how to translate each country's spending into a common currency, traditionally the dollar. There are two means by which this conversion could be accomplished. One way is to use actual exchange rates. The Department of Education now agrees with us that this method frequently gives misleading information. The second method of conversion, currently being championed by the Department, uses purchasing power parities (PPPs). This process is equally flawed and should not be used.

As the name suggests, PPPs are hypothetical exchange rates which are constructed to show what the actual exchange rates would have to be in order for goods and services to cost the same in every country. These

PPP rates were designed for comparing standards of living across countries--how many consumer goods and services people can afford to buy. PPP exchange rates do not provide a cross-national comparison of what can be purchased for a given expenditure. They cannot be used to compare educational effort nor compare resources provided to students. PPPs are completely inadequate for the task for which the Department of Education would use them -- to compare expenditures between countries.

An example will illustrate the differences between comparing teachers' living standards (using PPPs) and comparing expenditures for educational services (which cannot be done with PPPs.) In 1985, primary education teachers' salaries in major cities in the U.S. averaged $26,267. In Tokyo, primary school teachers received ¥3,437 thousand for a nine month school year.[3] One could hire a teacher in the U.S. for $26,267 or one could hire a similar teacher in Japan for ¥3,437 thousand. To hire equivalent numbers of primary school teachers, for each dollar spent in the U.S., 131 yen (¥3,437,000/ $26,267) must be spent in Japan. The "exchange rate" necessary to provide equivalent numbers of primary school teachers is 131 yen to the dollar. This is in sharp contrast to the 1985 PPP exchange rate of 222 yen per dollar necessary to equalize teachers' living standards in each country.

To enjoy equivalent standards of living, a Japanese citizen needs an income of ¥222 for every dollar of income received by a U.S. citizen. So a Japanese teacher receiving only ¥131 for every dollar earned in the U.S. will have a living standard below that of the U.S. teacher.[4] However, to hire a teacher in Japan, one need only pay at the ¥131 rate, not the ¥222 rate. PPP exchange rates tell us about relative living standards among countries, (determined by the productivity of workers, abundance of resources such as land and energy, efficiency of markets, etc.), but offer few insights into comparisons of resources provided to students. Remember, the Bush Administration has been linking education spending and student achievement, so the issue is the comparative provision of resources to students.

The Bush Administration's and Department of Education's claims that we spend lavishly on education can be supported only if first, we compare per pupil expenditures without reference to wages, costs or incomes; and secondly, use purchasing power parities to convert the expenditures to dollars. By any other measure the U.S. seriously under-funds education compared to other industrialized nations.

IV. SHOULD THE "OTHER" AND "NOT DISTRIBUTED" CATEGORIES BE INCLUDED IN THE ANALYSIS?

As explained in our report, UNESCO defines the "other" and "not distributed" categories to include operating expenses for "special, adult and other types of education which cannot be classified by level" and "administration for which there is no breakdown by level of education." This is money spent on education, but it is not specifically assigned to K-12 or to higher education. (These are not insignificant amounts of money. For some countries, up to 25 percent of all education spending falls in these two categories.) The U.S. spends money in these areas, but when reporting to UNESCO, assigns these expenditures either to K-12 or to higher education. Therefore, the U.S. lists no expenditures in these two areas. Omitting these foreign expenditures from our comparisons would have decreased the accuracy of our results. Therefore, as explained in Appendix A of our report, for each country we ascribe the expenditures in these two categories to K-12 and higher education in the same proportion as the rest of the country's operating expenses are distributed.

V. IS THE U.S. EXPENDITURE UNDERSTATED DUE TO UNDER-COUNTED PRIVATE SPENDING ON EARLY CHILDHOOD EDUCATION?

We agree with the Department of Education that our study underreports private spending for pre-primary education. This occurs because Department of Education data, which we use, under-reports private pre-primary spending. (U.S. private primary and secondary school spending is fully counted.) A more inclusive accounting of all private spending would raise U.S. expenditures, but only by a small amount. However, we also omit from our comparisons all private spending abroad for all levels of education for all countries except Japan. But as we note in "Shortchanging Education," these amounts are small compared to total education expenditures. Arguably, the omitted foreign private expenditures for K-12 are at least as great as the omitted U.S. private expenditures for early childhood education. We suspect that including all these additional expenditures would have little affect on countries' relative spending levels.

CONCLUSION

We agree with the Department of Education that the improved use of existing resources is an important component of any school improvement regime. However, some desirable education reforms may require spending more money. Implementation of beneficial changes should not be opposed based on the mistaken notion that the U.S. already spends more than most other industrialized countries on K-12 education. In fact, the U.S. spends less than all our major competitors.

ENDNOTES

1. Speech before the National Conference of State Legislators State-Federal Assembly, December 14, 1989, Washington D.C.

2. Organisation for Economic Co-operation and Development. 1989. Education in OECD Countries, 1986-87. Paris: OECD.

3. Barro, Steven M. and Larry Suter. 1988. International Comparisons of Teachers' Salaries. Washington, D.C.: National Center for Education Statistics, U.S. Department of Education. (To compare teachers' annual pay, we must first equalize the length of the work year. The school year is 243 days in Japan and 180 days in the U.S. If Japanese teachers worked 180 days each year instead of 243, they would receive only 180/243 or 74 percent of their usual pay of ¥4,644 thousand, or ¥3,437 thousand.)

4. This is not to imply that U.S. teachers are highly paid compared to their counterparts abroad. Teachers in the U.S. receive a smaller percentage of per capita national income than do teachers in other industrialized countries. The standard of living of U.S. teachers compared to the average U.S. resident, is lower than for teachers in most other industrialized countries (see Barro and Suter).

APPENDIX 3

by Arthur E. Wise and Tamar Gendler

Rich Schools, Poor Schools

The Persistence of Unequal Education

Financing disparities among school districts are being overcome, thanks to recent litigation and court decisions.

AMERICA continues to wonder why children from more advantaged families do better in school than children who grow up in poverty. Certainly, part of the discrepancy results from what an advantaged family is able to offer its children—adequate nutrition, a stable home, collections of books, trips to museums. But part of the discrepancy results from the schools that the nation provides. While children from advantaged families are more likely to attend clean, well-appointed schools staffed by adequate numbers of qualified teachers and supplied with up-to-date books and technological aids, children from disadvantaged families are more likely to attend class in dilapidated school buildings staffed by less-than-fully qualified teachers, supplied with outdated textbooks and few, if any, technological aids.

To be sure, educational quality is not solely determined by the level of funding a school receives. Money can be squandered and facilities put to unproductive uses, just as experienced practitioners can overcome the constraints that limited resources impose. On the average, schools with more money can buy more and better resources—textbooks, buildings, and, most important, faculty. When the advantaged have the better-financed schools, and the disadvantaged the poorly financed schools, America continues to provide unequal education to those who most need what school has to offer.

In many places across the nation, these discrepancies are especially stark. Consider these facts which come from recent school finance lawsuits. While some Texas districts spend over $8,000 a year per student, Elizario Independent School District is so poor that it offers no foreign languages, no prekindergarten program, no college preparatory program, and virtually no extracurricular activities.[1] Elizario is not alone; each year, the 150,000 students living in the state's poorest districts receive educations costing half that of their 150,000 wealthiest counterparts.[2] This inequity does not result from lack of effort by any of the residents of the poorer districts; the taxpayers supporting the 150,000 students at the bottom face tax rates double those of taxpayers at the top.[3] Elizario's tax rate of $1.07 (per hundred dollars of property value) is some 35 cents above the state average.[4]

In New Jersey, where Moorsetown provides over 200 microcomputers for its 2,400 students (a ratio of 1:11), East Orange High School, with a population of 2,000, has only 46 (a ratio of 1:43).[5] East Orange is a poor district, with average assessed valuation per pupil of $40,675, 21 percent of the state average.[6] To compensate, the city's school tax effort has been above the state average every year for the past ten, as high as 144 percent.[7] Still, the district spends less than $3,000 per pupil per year,[8] has no elementary art classrooms,[9] a gym that serves as a school library,[10] and "science areas" consisting of a sink, a shelf, and some storage space.[11]

Why should the students in Texas's poor districts receive an education that costs half as much as students' in the wealthier districts—even though the taxpayers pay proportionally twice as much? Why should the future computer programmer in East Orange share her computer with 42 classmates while her counterpart in Moorsetown shares hers with ten? Because her community's property wealth—the assessed valuation of each house—is a fifth of most cities'?

About the Authors

Arthur E. Wise is director of the RAND Corporation's Center for the Study of the Teaching Profession. He is best known for his 1968 book, Rich Schools, Poor Schools, *in which he conceived the idea for school finance equalization lawsuits and from which the title of this article is taken. Recently he has testified in courts in Texas, Montana, and New Jersey and before the Congressional Subcommittee on Civil and Constitutional Rights.*

Tamar Gendler is an educational researcher at the RAND Corporation. She has worked for the Council for Basic Education and the American Federation of Teachers, where she wrote on education policy issues. Currently she is examining questions of teacher professionalism and urban education.

The Legal Question and Its Early History

Should the accident of geography determine the quality of science instruction a child receives, whether he has an opportunity to learn to play the violin, whether her first grade class will have twenty students or thirty-five? Should students in urban schools be routinely denied new math books or laboratories or basketball courts or art materials?

Certainly these inequalities constitute different treatment. But do they constitute denial of equal educational opportunity? Do they represent a denial of constitutional guarantees under federal or state law? The questions were first posed by the senior author in 1965.[12] The questions were first answered affirmatively by several lower courts in the early- and mid-1970s. One of these early victories was achieved by Mexican-American parents whose children attended the Edgewood Independent School District, an urban district in San Antonio, Texas. They had brought a class action suit against the state officials in charge of school finance. A federal district court ruled in the parents' favor, holding that the Texas school finance system violated the federal equal protection clause. The state appealed to the U.S. Supreme Court. In *San Antonio v. Rodriguez* (1973), the U.S. Supreme Court found that there were unequal expenditures among districts in the state of Texas, but it held that these unequal expenditures did not violate the *federal* Constitution. The majority opinion took pains to point out that the Court was not necessarily endorsing the status quo, and the minority opinion observed that nothing in the Court's action precluded raising the question in state courts on state constitutional grounds.

Thirteen days later, New Jersey affirmed the minority opinion. In *Robinson v. Cahill*, the New Jersey Supreme Court declared the state's school financing system to be in violation of the New Jersey Constitution's Education Clause, first adopted in 1875. The clause calls for the legislature to provide a "thorough and efficient system of free public schools" for all children between the ages of 5 and 18. Interpreting the clause 100 years later, the New Jersey Supreme Court declared that "an equal education for children" was "precisely" what the drafters of the education clause had in mind.[13] And, in the court's eyes, there was no question that an equal education for children in New Jersey was not being provided.

The court turned for solution to the legislature, which passed an act designed to equalize funding across the state. On its face, the law appeared reasonable and

To equalize educational opportunity is to redress some of the accidents of birth.

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propriate, but, as we will see, it was never fully implemented, and in 1988, New Jersey's courts were once again called upon to review the state's school finance system.

The second court affirmation of school finance reform came several years later from the other side of the continent; in 1976, the California Supreme Court concluded a series of decisions known as *Serrano v. Priest* by declaring the state's system of school finance to be in violation of both the Fourteenth Amendment of the federal Constitution and the state's own equal protection clause—assurances that guarantee citizens equal protection under the law. By making the quality of education a child received a function of the local school district's taxable wealth, California's school finance system was denying equal protection to children from poorer districts. Declared the court:

> We have determined that this funding scheme invidiously discriminates against the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors.[14]

But other public goods are a function of the wealth of one's parents and neighbors, such as the quality of a municipality's Fourth of July fireworks display or the state of repair of a muncipality's sidewalks. The court distinguished between less essential goods and the fundamental right to an education:

> First, education is essential in maintaining what several commentators have called "free enterprise democracy"—that is, preserving an individual's opportunity to compete successfully in the economic marketplace, despite a disadvantaged background. Second, education is universally relevant. Third, public education continues over a lengthy period of life—between 10 and 13 years. Fourth, education is unmatched in the extent to which it molds the personality of the youth of society. Finally, education is so important that the state has made it compulsory—not only in the requirement of attendance, but also by assignment to a particular district and school.[15]

The court, finding education a fundamental right, ruled California's system of school finance unconstitutional.[16]

Legislative Responses to Early Litigation

Throughout the 1970s, prodded by actual or threatened lawsuits, many states passed laws aimed at reducing the vast discrepancies in funding among districts. But soon thereafter, inflation, fiscal constraints, politics, and self-interest took their tolls. By the end of the decade, many of the reforms that had been instituted had been rendered nearly ineffectual, and, during the 1980s, while the world focused on excellence, inequality in finance grew. In "Reforming School Finance in Illinois," James Gordon Ward observed a pattern that has been repeated in a number of states:

> The 1973 reform did seem to increase equity in school spending through the state ... [but] changes in the formula later in the 1970s weakened the equalization elements and by 1980 the state of Illinois had reverted to a "politics-as-usual" approach to funding public schools.[17]

In states where watchfulness continued, the results of school finance legislation were dramatic. In New Mexico,

> The 1974 equalization guarantee formula has continued a trend toward financial equalization which began in the 1930s. ... The intent of this reform legislation "to equalize financial opportunity at the highest possible revenue level and to guarantee each New Mexico public school student access to programs and services appropriate to his educational needs regardless of geographic or local economic conditions" has been realized. Fiscal neutrality is nearly a reality as revenues and expenditures are no longer closely related to district wealth. ... School finance reform has been and continues to be a priority for the state of New Mexico.[18]

California, which twelve years ago was chastised by the supreme court in *Serrano v. Priest*, has equalized its finances so that "95.6 percent of all students attend districts with a per-pupil revenue limit within an inflation-adjusted 100-dollar band (now $238) of the statewide average for each district type."[19] Students in California now receive nearly an equal share of the state resources to develop their individual abilities.

The Recent Round of Litigation: Montana, Texas, New Jersey

Despite these successes, the realization of how rapidly the effects of reform can be eroded has been sobering. New lawsuits have had to be brought in states where the issue seemed resolved a decade ago. Despite the practical lessons of the past fifteen years, the fundamental [illegible] issues have not changed. In 1988 alone, three major decisions mandating school finance reform have been handed down in Montana (*Helena v. Montana*), Texas (*Edgewood v. Kirby*), and New Jersey (*Abbot v. Burke*). Each uses one or both of the basic arguments establi in *Robinson* and *Serrano* that denying equal educational opportunity violates the state's constitutional obligation to provide a thorough and efficient education for all children, or that since education is a fundamental right, denying equal educational opportunity violates children's rights to equal protection under the law. Since these decisions were handed down, the Texas decision has been overturned by an appeals court, but is now on its way to the state's highest court. The Montana decision has been affirmed by the Montana supreme court, thus making the decision final. The New Jersey decision has been rejected by the state education commissioner in an unusual proceeding and will ultimately be reviewed by the State Supreme Court.

The Decline of the Local Control Argument

In the *Rodriguez* decision, Texas had argued that the inequities in funding across school districts were an unfortunate by-product of the compelling interest in local control of schools. In *Edgewood*, the defense offered a similar argument, but the court found that

> Local control of school district operations in Texas has diminished dramatically in recent years, and today most of the meaningful incidents of the education process are determined and controlled by state statute and/or State Board of Education rule, including such matters as curriculum, course content, textbooks, hours of instruction, pupil-teacher ratios, training of teachers, administrators, and board members, teacher testing, and review of personnel decisions and policies.[20]

The state regulates not only administrative procedures, such as how many times each day a school may broadcast announcements over the public address system,[21] how many hours of state-approved training all school board members must have,[22] what routes school buses must follow,[23] and how grades should be recorded on report cards,[24] but also basic features of the curriculum.

The State Board of Education has promulgated 350 pages of regulations that detail the content of every course in every year in every school district in the state."[25] These regulations include requirements that prekindergarten students "develop pincher control" and that homemaking students learn to "identify principles of pleasing interior decoration," and to "recognize commitments made in marriage vows."[26] Districts may select only textbooks that have been adopted by the State Board of Education (generally five per subject area),[27] teach only courses approved by the Texas Education Agency,[28] and must devote a certain number of minutes each week to specific elementary school subjects, such as language arts and social studies.[29]

Money does not buy everything, but it is clear that financial resources do affect educational quality.

Clearly, local districts have lost much of their historical control over the content of their educational offerings. In fact,

> the only element of local control that remains undiminished is the power of wealthy districts to fund education at virtually any level they choose, as contrasted with the property-poor districts who enjoy no such local control . . . because of their inadequate property tax base, the bulk of the revenues they generate are consumed by the building of necessary facilities and compliance with state-mandated requirements.[30]

The myth that local control justifies vast discrepancies in spending among districts is thus discredited in two ways. First, the possibility of meaningful local control is in fact enhanced by a funding system that insures equalized opportunity for districts to fund educational programs, for it allows all districts, not just those with large tax bases, to exercise options in financing their schools. But Texas has demonstrated that it does not even truly value local control; a state that regulates and standardizes as Texas does can hardly claim that its commitment to local control compellingly outweighs the need to abide by the Constitutional guarantees of equal opportunity and the right of all students to an efficient education.[31]

The Defendants' Arguments

Throughout the history of school finance reform, opponents of change have offered three arguments. In states without an explicit education clause, they have tried to show that education is not a fundamental right and is therefore not subject to the close scrutiny implied by the equal protection clause. This argument has been accepted by courts in Idaho, Oregon, Ohio, New York, Georgia, Colorado, and Maryland,[32] which used it as a basis for a judgment not to inquire too deeply into the inequities that the plaintiffs set forth. In states such as New Jersey that have a "thorough and efficient" clause, and in states such as Montana that accept education as a fundamental right, the defense has relied on two other major arguments: that local control outweighs the rights of districts to equal funding, and that financial input has no effect on the quality of the education a district is able to offer.

The issue of local control has already been discussed in the context of Texas, whose regulation of its local schools is typical of Sun Belt states. But many states in the pursuit of excellence since 1980 have aggressively tried to improve and control local schools through regulation; some have even gone so far as to enact takeover legislation through which they would govern local school systems from the capital. By their actions, states have shown that standardized tests, statewide curriculums, uniform textbooks, and consistent teacher evaluation all outrank local control.

Two empirical justifications are offered for the contention that financial input and quality of education are unrelated. The first is that low-cost attitudinal and administrative changes, such as Ron Edmond's effective schools formula, contribute more to the quality of education than the amount of money a district is able to spend on its schools. Although this argument is appealing, closer examination shows it to be irrelevant. It is reassuring to know that schools can overcome, to some extent, the handicaps of dilapidated classrooms, textbook shortages, high student-teacher ratios and limited library facilities, but that does not justify such conditions. Nor has any research been able to show that a school with high expectations and no German teacher will produce students who speak German, or that a school with orderly classrooms and no laboratory facilities will train its students to be good scientists.

The second defense offered is that statistical studies have not been able to show a direct correlation between dollar input and school output. In 1966, James Coleman's *Equality of Educational Opportunity Report* offered the conclusion "that schools bring little influence to bear on a child's achievement that is independent of his background and general social context."[33] This report shaped the education policy debate of the 1970s, as supporters and detractors argued whether schools can affect achievement, and whether there is any correlation between the cost of education and its quality. Unfortunately, available research has been crude and therefore inconclusive; the factors affecting a child's development are many and the resources devoted to research meager. Causal relationships are entangled (Do poor schools attract poor teachers? Do good students create good schools?) and measures of effectiveness (Should we look for higher reading scores or a more self-directed learning?) may be indeterminate or contradictory. And since analyses of the problem have depended upon existing schools and school systems, they necessarily describe what has been and not what might be.

This being so, the controversy over whether differences in expenditures can be empirically demonstrated to affect the outcomes of schooling is unlikely to be resolved any time soon. To a certain extent, this is not surprising. Money does not buy everything; there are good schools in poor districts, bad schools in wealthy districts. But by commonly accepted standards, it is clear that resources do affect educational quality. Districts that spend more money can build nicer buildings, supply more staff, pay their teachers more, and thereby attract better teachers. A recent study of Pennsylvania school districts (see table below) confirms this.

(continued on page 36)

Money and Quality in Pennsylvania Schools[34]	*High spending*	*Middle spending*	*Low spending*
Average per student expenditures	$4,298	$2,779	$2,288
Student-teacher ratio	15.7	19.2	21.0
Student-services ratio	158.3	217.1	246.5
Student-administrator ratio	245.6	349.6	578.5
Teacher salaries	$28,063	$22,345	$20,474
Educational level (years)	5.8	5.5	5.4
Years of experience	17.3	15.5	7.4
Administrator salaries	$41,625	$35,638	$32,850
Education level (years)	7.2	6.8	6.8
Years of experience	23.9	23.0	[illegible]

Why should students in Texas's poor districts receive an education that costs half as much as students' in the wealthier districts—even though the taxpayers pay proportionally twice as much?

Wise

(continued from page 17)

The author of the study concludes: "The pattern was consistent. On every measure, high-spending districts had the most or best, next came the middle-spending districts, and the last were the low-spending districts."[35] The examples cited by the judges in Montana, New Jersey, and Texas provide further evidence for the correlation between funding and facilities and between resources and offerings, as does even a cursory visit to an inner-city or wealthy suburban public school.

Both of the arguments made by defendants of the status quo are thus refuted by both empirical and theoretical considerations. And, as the recent decisions in Montana, New Jersey, and Texas have shown, these refutations can be accepted by the courts. Given that current schemes are unconstitutional, what should states do?

Enforcing Equal Educational Opportunity

It is not the job of the courts to design new systems for equalizing education; their responsibility is only to guarantee a constitutional right. Implementation is a matter for legislative action. Typically, the court charges the state legislature with developing an equitable finance scheme, reserving for itself the right to review it after implementation.

Although there is no one best funding scheme, choices available to the legislature will shape education in the state. Does the legislature want to create incentives to focus on the basic skills or does it want to encourage a variety of educational goals? Does it want to micromanage teachers in their classrooms, or does it want to unleash their creative potential? Does it want to weaken local control or strengthen state control?

If a state regulates outputs, it may create an obsessive concern with test-score performance. As multiple-choice, predictable tests become the driving force of the curriculum, their subject matter and question format become classroom fixtures. Teachers spend hours drilling students on identifying antonyms, multiplying fractions, and filling in answer sheets, focusing on little that is richer, broader or deeper. Thus the legislature's effort to produce equal education ends up degrading learning for all. Individuality, creativity and depth are lost; all that is retained is uniformity, conventionality and trivial skills.

If a state regulates process, it becomes embroiled in regulating nearly every aspect of what goes on in schools. Local boards and teachers are left no choice but to slavishly implement the minutiae dictated from above. Citizens are frustrated that they have no input into their child's education; teachers become discouraged because their professional judgment is overruled or unused; students become bored or dispirited because the fare they are fed is inappropriate to their personal needs. Again the legislature's effort to provide equal education produces nothing but a great deal of frustration and superficial consistency.

If a state regulates inputs, however, it satisfies the constitutional command while encouraging local initiative. It equalizes the capacity of poor districts to secure the services of a sufficient number of teachers, even to bid for the services of highly qualified teachers. It permits schools from poor districts to exercise the same choice—Shall we offer Latin or Russian? Shall we buy computers or microscopes?—that schools from wealthy districts now enjoy. It ensures, to the extent that is possible, that educational opportunity is independent of the wealth of one's parents and neighbors.

Improving education for children in poor school districts would benefit them and the nation. A future physicist is as easily born in Jersey City as in Princeton, a future pianist in Edgewood as in Alamo Heights. But it is not only potential luminaries that are lost; it is part of an entire generation of citizens whose potential contributions are stunted by the inadequacy of the education they are provided. School finance reform cannot solve all of the problems of education, but it can equalize the opportunities that the state provides. To continue to distribute better education to children in rich districts and worse education to children in poor districts is only to exacerbate the inequalities that children bring to school. To equalize educational opportunity is to redress some of the accidents of birth. ●

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3. See ref. 1, p. 19.
4. See ref. 1, p. 22.
5. *Abbot v. Burke*, slip opinion, p. 145.
6. See ref. 5, p. 112.
7. See ref. 5, p. 114.
8. See ref. 5, p. 131.
9. See ref. 5, p. 156.
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11. See ref. 5, p. 150.
12. Arthur E. Wise, *Rich Schools, Poor Schools: The Promise of Equal Educational Opportunity*, Chicago: University of Chicago Press, 1967. Arthur E. Wise, "Is Denial of Equal Educational Opportunity Constitutional?" *Administrator's Notebook*, XIII (February 1965), pp. 1–4.
13. *Robinson v. Cahil*, 303 A. 2d 273, 294 (1973).
14. 487 P. 1241, 1249.
15. *Serrano v. Priest*, 487 P.2d 1241 (1971).
16. See ref. 15.
17. James Gordon Ward, "In Pursuit of Equity and Adequacy: Reforming School Finance in Illinois," *Journal of Education Finance* 13:1, Summer 1987, p. 109.
18. Richard A. King, "Equalization in New Mexico School Finance," *Journal of Education Finance* 9:1, Summer 1983, pp. 77–78.
19. James W. Guthrie et al., "Conditions of Education in California 1988: Summary of a Report by Policy Analysis for California Education," Berkeley: Policy Analysis for California Education, 1988, p. 10.
20. See ref. 1, p. 43.
21. See ref. 1, p. 44.
22. See ref. 1, p. 45.
23. See ref. 1, p. 47.
24. See ref. 1, p. 48.
25. See ref. 1, p. 49.
26. See ref. 1, p. 49.
27. See ref. 1, p. 51.
28. See ref. 1, p. 52.
29. See ref. 1, pp. 52–53.
30. See ref. 1, p. 41.
31. On December 14, 1989, the Court of Appeals for the 3rd District of Texas overturned the District Court's opinion. The original plaintiffs have announced their intention to appeal the decision to the Texas Supreme Court.
32. Richard A. Rossmiller, "School Finance Reform Through Litigation: Expressway or Cul-de-sac?" *School Law Update 1986*, p. 196.
33. James S. Coleman et al., *Equality of Educational Opportunity*, Washington, DC: U.S. Government Printing Office, 1966, p. 325.
34. William T. Hartman, "District Spending Disparities: What Do the Dollars Buy?" *Journal of Education Finance* 13:4, Spring 1988, pp. 443, 447, 450, 451.
35. See ref. 34, p. 450.

END

Education and Labor Committee **News**

Augustus F. Hawkins (D-CA), Chairman

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FACT SHEET ON THE FAIR CHANCE ACT

Most States have a substantial disparity in per pupil expenditures for education among school districts. According to a new study done for the Committee by the Congressional Research Service, using the latest data (1986-7) from the Bureau of the Census:

- More than half the States spend twice as much in some school districts as they do in others.
- Approximately one-third of the States spend three times as much in some districts as compared to others.
- Several States are especially egregious:
  - In Illinois one elementary school district spends $1,162 per student while another spends $7,040.
  - In New Jersey one elementary district spends $2,081 and another spends $12,556.
  - In New York one unified district spends $3,091 while another spends $15,159.
  - In Texas one unified district spends $1,207 while another spends $7,109.
  - In Vermont one unified district spends $1,664 and another spends $8,315.

The U.S. Supreme Court in San Antonio Independent School District v. Rodriguez (1973) by a 5-4 vote held that there was no right to contest such State systems of finance under the U.S. Constitution.

In 11 States, however, courts have ruled as unconstitutional such disparate systems of financing education in violation of State constitutions. But these lawsuits take many years to litigate, are very costly, and are especially burdensome for poorer districts challenging such unfair schemes of financing.

Therefore, Federal action is necessary to address this inequality. The Congress has the authority to make receipt of Federal money contingent on States taking certain actions, and also has the authority under the 14th Amendment to enact legislation implementing that amendment. Therefore, the Fair Chance Act will assure that all students, regardless of where they live, have a fair chance for a good education.

Large disparities also exist between States in their spending for education. For example, one State spends $2,480 per pupil while another spends $6,476. Therefore, the Fair Chance Act also proposes a new program to assist in improving education throughout the United States.

Education and Labor Committee
Augustus F. Hawkins (D-CA), Chairman

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SUMMARY OF THE FAIR CHANCE ACT

In 1990, the Secretary of Education reviews each State's system of financing its public schools to determine whether State and local funding is equalized among school districts within the State. The Secretary will use two alternative tests which have been used since 1977 in the Federal impact aid program, but these tests are tightened to assure a truly equalized system.

Any State not certified by the Secretary on January 1, 1991, may submit a five-year plan to achieve equalization of funding for education within that State.

Any State which is not certified and which does not submit a plan to achieve equalization would be barred from receiving any funds from the U.S. Department of Education after January 1, 1996. The funds which would have been allocated to that State will instead be directly distributed by the Secretary to school districts within that State in order to assist in achieving greater equalization of resources within that State.

A new Federal program is also created to provide financial equalization between States to improve their public schools. These funds are distributed by the Secretary to States using a formula to assure a good education for children in all States, to provide greater funding to children with special needs, and to reward States which are making a greater tax effort in terms of their fiscal capacities. This program may only be funded if Chapter 1 is provided with increased appropriations.